DLS
DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

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Bulletin

BUL-2024-5

RECENT LEGISLATION

TO: Local Officials

FROM: Kenneth Woodland, Chief, Municipal Finance Law Bureau

DATE: August 2024

SUBJECT: An Act Honoring, Empowering and Recognizing Our Servicemembers and Veterans ("HERO" Act) Chapter 178 of the Acts 2024.

To keep you informed of legislative developments, the Division of Local Services ("Division") periodically publishes a **BULLETIN** summarizing new laws that affect municipal budgets and local tax assessment, administration and collection. Each issue usually contains a cumulative summary of session laws enacted to that time and indicates whether the Division has issued any further implementation guidelines. This edition of the **BULLETIN** instead focuses on a recent legislative change affecting municipal finance found in Chapter 178 of the Acts 2024 (hereinafter "Act"), entitled An Act Honoring, Empowering and Recognizing Our Servicemembers and Veterans ("HERO" Act).

These changes provide two new local options that increase certain veteran exemption amounts and changes how to determine eligibility for the motor vehicle exemption for a veteran with a 100% disability rating or is unemployable due to their service-connected disability.

1. Generally, what are the municipal finance related provisions in the "HERO" Act?

Section 23 adds two new veteran property tax exemption clauses, Clauses 22I and 22J, to General Laws, c. 59, §5, which is the statute that establishes local property tax exemptions for individuals and organizations. Additionally, Section 24 changes how eligibility for the motor vehicle exemption for a veteran with a service-connected disability is established under G.L. c. 60A, § 1.

2. When do these provisions go into effect?

As the Act contained a preamble, the Act's effective date is the date it was signed by the Governor – August 8, 2024. However, for exemptions allowed under G.L. c. 59, § 5, the exemption qualifying date is generally July 1. Changes in property tax exemption laws will generally apply prospectively as of the next qualification date after the effective date of the amendments. As such, municipalities will be able to adopt Clauses 22I and 22J, as described herein, for Fiscal Year 2026.

Conversely, the change under G.L. c. 60A, § 1 is effective presently for calendar year 2024 excises.

3. How does a municipality implement these changes?

Clauses 22I and 22J are local options that must be accepted by a city or town to apply in that municipality. Acceptance requires a vote of the legislative body (town meeting, town council or city council) subject to the municipality's charter. G.L. c. 4, § 4. No local action is needed for the change under G.L. c. 60A, § 1 to go into effect.

4. What would be the impact of Clause 22I?

Clause 22I, if accepted, would increase the amount of the tax exemption granted to veterans on their domiciles under Clause 22, Clause 22A, Clause 22B, Clause 22C, Clause 22E and Clause 22F annually by a cost-of-living adjustment (COLA) determined by the Department of Revenue (DOR) based on the consumer price index (CPI). This would work like the annual COLA adjustment determined by DOR that is already a local option for certain senior exemption amounts and financial means standards. See G.L. c. 59, § 5, Clauses 17E, 17F and 41D.

For example, if a Clause 22 recipient will receive a $400 exemption and the community accepts this option, and the CPI increases by 5%, the total exemption amount would increase to $420.

5. What would be the impact of Clause 22J?

Clause 22J, if accepted, provides an additional exemption up to 100% of the amount of the tax exemption granted to veterans on their domiciles under Clause 22, Clause 22A, Clause 22B, Clause 22C, Clause 22E and Clause 22F. This would work like the optional additional exemption that is already a local option under G.L. c. 59, § 5C½ for all persons granted exemptions on their domiciles as veterans, seniors, blind persons, and surviving spouses. Clause 22J will not apply in a year in which the city or town already uses G.L. c. 59, § 5C½ to grant an additional exemption to all persons granted exemptions. It is an option for cities and towns that do not use that general additional exemption to be able to just grant one for persons granted veteran exemptions. As with the general additional exemption, the application of the Clause 22J additional exemption cannot reduce the tax owed below what the taxpayer would owe on 10% of the current assessed valuation of the domicile. However, unlike the general additional exemption, the exemption granted to veterans can result in the taxpayer paying less than the taxes paid in the preceding fiscal year. To implement, the city or town must vote to accept the statute and establish the additional exemption percentage before the July 1 beginning of the fiscal year in which that percentage will first apply. The voted percentage will continue to apply in subsequent years unless and until another percentage is voted before the July 1 beginning of a later fiscal year.

6. How does the change to G.L. c. 60A, § 1 effect the veteran motor vehicle excise process?

This section changes how eligibility for the motor vehicle exemption for a veteran with a service-connected disability is established under G.L. c. 60A, § 1. Currently, the Medical Advisory Board (MAB) within the Registry of Motor Vehicles (RMV) determines that the veteran has the qualifying disability. Under the amendment, eligibility will be based on a disability determination by the U.S Department of Veteran Affairs (VA), as is the case with other motor vehicle and property tax exemptions available to veterans. Now, a veteran will qualify for a motor vehicle exemption if the VA determines they have a 100% disability rating or deems them unemployable due to their service-connected disability.

7. What is the impact in a community that adopts both Clause 22I and 22J?

Both Clauses would operate together. For example, if a Clause 22 recipient will receive a $400 exemption and the community accepts Clause 22I, and the CPI increases by 5%, the total exemption amount would increase to $420. If the community further accepts Clause 22J (or G.L. c. 59, § 5C½) and increases by the maximum 100% the amount of the tax exemption granted to veterans, in this example, the total exemption will increase to $840.

8. Do any of these provisions effect the state reimbursement?

As Clauses 22I and 22J are local options that must be accepted by a city or town to apply in that municipality, there is no additional state reimbursement for the cost of the additional exemptions.

Conversely, the veteran exemptions granted pursuant to the new provisions in G.L. c. 60A, § 1 will be fully reimbursed by the Commonwealth.

SAMPLE ACCEPTANCE VOTES
(Consult with municipal counsel)

ADJUSTED EXEMPTION AMOUNT CLAUSE 22I

VOTED: That the city/town accept General Laws Chapter 59, Section 5, Clause 22I, which authorizes an annual increase in the amount of the exemption granted under General Laws Chapter 59, Section 5, Clause 22, Clause 22A, Clause 22B, Clause 22C, Clause 22E and Clause 22F by the percentage increase in the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index (CPI) for the previous year as determined by the Commissioner of Revenue, to be effective for applicable exemptions granted for any fiscal year beginning on or after July 1, _____.

OPTIONAL ADDITIONAL VETERAN EXEMPTION CLAUSE 22J

VOTED: That the city/town accept General Laws Chapter 59, Section 5, Clause 22J, which authorizes an annual increase in the amount of the exemption granted under General Laws Chapter 59, Section 5, Clause 22, Clause 22A, Clause 22B, Clause 22C, Clause 22E and Clause 22F by **[insert percentage increase up to 100% e.g., 50%, 70%, 100%]** of the personal exemption amount, subject to the conditions in Clause 22J, to be effective for applicable exemptions granted for any fiscal year beginning on or after July 1, _____.