



# Informational Guideline Release

Bureau of Municipal Finance Law  
Informational Guideline Release (IGR) No. 20-6  
April 2020

## **OPTIONAL COST OF LIVING ADJUSTMENT FOR FISCAL YEAR 2021 EXEMPTIONS**

**(G.L. c. 59, § 5, Clauses 17, 17C, 17C½, 17D, 17E, 17F, 41, 41B, 41C and 41D)**

This Informational Guideline Release (IGR) informs assessors of the cost of living adjustment (COLA) to be used in Fiscal Year 2021 by communities that have adopted certain local options for annually increasing the:

- Exemption amount granted to senior citizens and surviving spouses and minors under Clauses 17, 17C, 17C½ or 17D. (Local option clause 17F, G.L. c. 59, § 5.)
- Asset limits for determining if senior citizens and surviving spouses and minors qualify for exemption under Clauses 17, 17C, 17C½ or 17D. (Local option clause 17E, G.L. c. 59, § 5.)
- Income and asset limits for determining if senior citizens qualify for exemption under Clauses 41, 41B or 41C. (Local option clause 41D, G.L. c. 59, § 5.)

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Exemptions

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Assessors

**OPTIONAL COST OF LIVING ADJUSTMENT**  
**FOR**  
**FISCAL YEAR 2021 EXEMPTIONS**

**(G.L. c. 59, § 5, Clauses 17, 17C, 17C½, 17D, 17E, 17F, 41, 41B, 41C and 41D)**

**SUMMARY:**

The Commissioner of Revenue has determined the cost of living adjustment to be used in Fiscal Year 2021 by communities that have adopted certain local options. Those options allow communities to increase annually the:

- Exemption amount granted to senior citizens and surviving spouses and minors under Clauses 17, 17C, 17C½ or 17D.
- Asset limits for determining if senior citizens and surviving spouses and minors qualify for exemption under Clauses 17, 17C, 17C½ or 17D.
- Income and asset limits for determining if senior citizens qualify for exemption under Clauses 41, 41B or 41C.

The cost of living adjustment (COLA) is measured by the increase in the United States Department of Labor, Bureau of Labor Statistics Consumer Price Index (“annual inflation rate”) for the previous calendar year.

The COLA for FY21 exemption purposes is **2.3%**.

**GUIDELINES:**

**I. ADJUSTED EXEMPTION AMOUNT FOR CLAUSE 17s**

Communities have the option of increasing each year the amount of the exemption granted to certain senior citizens and surviving spouses and minors under G.L. c. 59, § 5, Clauses 17, 17C, 17C½ or 17D by any percentage up to the COLA determined by the Commissioner of Revenue. G.L. c. 59, § 5 provision added by St. 1995, c. 181.

**A. Local Adoption**

1. Acceptance

The COLA increases the exemption amount only in those communities that accept a [G.L. c. 59, § 5](#) provision added by St. 1995, c. 181. Acceptance is by vote of the community's legislative body, subject to charter. [G.L. c. 4, § 4](#). The attached or similar language may be used for the vote.

2. Annual Percentage Increase

The percentage by which the exemption amount is increased each year must also be established by vote of the community's legislative body, subject to charter. The annual increase cannot exceed the actual COLA for any year. There are several ways in which a community may establish the annual increase including, for example, the use of:

- A percentage of the prior year's COLA (*e.g.*, The annual increase will be 100% (or 75%, 50%, etc.) of the COLA.)
- A capped increase (*e.g.*, The annual increase will be 2.5%, or the COLA, whichever is less.)

Annual increases established in this manner apply automatically each year until a new vote is taken establishing a different increase.

Alternatively, an annual vote may be taken to establish the specific percentage increase for that particular year once the Commissioner of Revenue has determined the actual COLA for the preceding year.

**B. Annual Exemption Amount**

The increases resulting from acceptance of this provision operate cumulatively. Each year's exemption amount, after application of the voted percentage increase, becomes the base to which the next year's increase applies.

**Example**

A community **first** adopts the local option provision for FY20 and votes to increase the exemption annually by 100% of the COLA. In FY20, the base \$175 exemption increased by 3.3% and eligible taxpayers received an exemption of \$181 (\$175 x 1.033). The FY21 exemption amount is calculated by applying the FY21 COLA to \$181. That results in a FY21 exemption amount of \$185 (\$181 x 1.023).

If an optional additional exemption is granted under [G.L. c. 59, § 5C½](#), the additional amount is based on the adjusted exemption amount. See Informational Guideline Release [\(IGR\) 15-210](#), *Optional Additional Real Estate Exemption*. In the example above, any optional additional exemption granted for FY21 is based on \$185, rather than \$175.

**C. State Reimbursements**

Cities and towns will not receive additional state reimbursement for any increase in the exemption amount granted under this provision.

**II. ADJUSTED ASSET LIMIT FOR CLAUSE 17s**

Communities have the option of automatically increasing each year the amount of assets (whole estate) certain senior citizens and surviving spouses and minors may have and qualify for an exemption under [G.L. c. 59, § 5, Clause 17, 17C, 17C½ or 17D](#) by the COLA determined by the Commissioner of Revenue. [G.L. c. 59, § 5, Clause 17E](#).

**A. Local Adoption**

The COLA increases the asset limit only in those communities that have accepted [G.L. c. 59, § 5, Clause 17E](#). Acceptance is by vote of the community's legislative body, subject to charter. [G.L. c. 4, § 4](#). The attached or similar language may be used for the vote.

**B. Annual Asset Limit**

The asset limit increases resulting from adoption of this provision operate cumulatively. Each year's new limit, as increased by the COLA, becomes the base to which the next year's COLA is applied.

**Example**

A community that operates under Clause 17D **first** adopts the local option provision for FY20. In FY20, the base asset limit of \$40,000 was increased by 3.3% and taxpayers qualified for the exemption with assets up to \$41,320 (\$40,000 x 1.033). The FY21 asset limit is calculated by applying the FY21 COLA to \$41,320. That results in a FY21 asset limit of \$42,270 (\$41,320 x 1.023).

**C. State Reimbursements**

Subject to appropriation, cities and towns operating under Clause 17 will be reimbursed at the rate of \$175 for each exemption granted. Reimbursements for cities and towns operating under Clauses 17C, 17C½ and 17D, however, are fixed at the dollar amount received in the last year Clause 17 was used and no adjustment will be made if additional exemptions are granted as a result of accepting this provision. (Click [here](#) to view a DLS report on the capped amounts.)

**III. ADJUSTED INCOME AND ASSET LIMITS FOR CLAUSE 41s**

Communities have the option of automatically increasing each year the amount of the income (gross receipts) and assets (whole estate) certain senior citizens may have to qualify for an exemption under [G.L. c. 59, § 5, Clause 41, 41B and 41C](#) by the COLA determined by the Commissioner of Revenue. [G.L. c. 59, § 5, Clause 41D](#).

This option does not adjust the income (gross receipts) seniors may have to qualify for an exemption under [G.L. c. 59, § 5, Clause 41C½](#). That income limit is tied to the income limits under the state “circuit breaker” income tax credit, which are automatically adjusted each year under another law. See [IGR 17-12, Clause 41C½ Property Tax Exemptions for Seniors](#).

**A. Local Adoption**

The COLA increases the income and asset limits only in those communities that have accepted [G.L. c. 59, § 5, Clause 41D](#). Acceptance is by vote of the community’s legislative body, subject to charter. [G.L. c. 4, § 4](#). The attached or similar language may be used for the vote.

**B. Annual Income and Asset Limits**

The income and asset limit increases resulting from adoption of this provision operate cumulatively. Each year’s new limit, as increased by the COLA, becomes the base to which the next year’s COLA is applied.

**Example**

A community that operates under Clause 41C **first** adopts the local option provision for FY20. *See* Clause 41D. In FY20, the base gross receipts or income limits of \$13,000 for single taxpayers and \$15,000 for married taxpayers were increased by 3.3% and taxpayers qualified for the exemption with income of up to \$13,429 (\$13,000 x 1.033) if single and \$15,495 (\$15,000 x 1.033) if married. The FY21 income limits are calculated by applying the FY21 COLA to \$13,429 and \$15,495. That results in FY21 income limits of \$13,738 (\$13,429 x 1.023) and \$15,851 (\$15,495 x 1.023).

In FY20, the local option whole estate or asset limits of \$28,000 for single taxpayers and \$30,000 for married taxpayers were increased by 3.3% and taxpayers qualified for the exemption with assets of up to \$28,924 ( $\$28,000 \times 1.033$ ) if single and \$30,990 ( $\$30,000 \times 1.033$ ) if married. The FY21 asset limits are calculated by applying the FY21 COLA to \$28,924 and \$30,990. That results in FY21 asset limits of \$29,589 ( $\$28,924 \times 1.023$ ) and \$31,703 ( $\$30,990 \times 1.023$ ).

If a community that uses Clause 41C votes to increase its income or asset limits under that clause, the COLA will apply to the new higher limits. See [IGR No. 02-209](#), *Clause 41C Exemption Options*. For example, a community votes to increase the gross receipts limits for FY20 to new maximum limits of \$20,000 and \$30,000 for single and married taxpayers respectively. If Clause 41D is in effect for FY21, the FY21 COLA of 2.3.% would be applied to \$20,000 and \$30,000, which would result in FY21 income limits of \$20,460 if single and \$30,690 if married. Those amounts would then become the base to which the FY22 COLA would be applied.

#### **C. State Reimbursements**

Subject to appropriation, cities and towns operating under Clause 41 will be reimbursed at the rate of \$500 for each exemption granted. Reimbursements for cities and towns operating under Clauses 41B and 41C, however, are capped at the number of exemptions granted the last year Clause 41 was used. (Click [here](#) to view a DLS report on the capped amounts.)

#### **Example**

For FY18, a community operates under Clause 41 and grants 100 exemptions. It is reimbursed for 100 exemptions.

For FY19, the community adopts Clause 41C and grants 75 exemptions. It is reimbursed for 75 exemptions.

For FY20, the community adjusts its income and asset limits to the maximums permitted by Clause 41C and grants 125 exemptions. It is reimbursed for 100 exemptions, the number granted in the last year it operated under Clause 41.

#### **IV. NOTIFICATION OF ACCEPTANCE**

The city or town clerk must notify the Municipal Databank if any of these local options is accepted or revoked. (See “[Notification of Acceptance or Revocation/Exemption Amount](#)” for Clause 17F, “[Notification of Acceptance or Revocation](#)” for Clause 17E and “[Notification of Acceptance or Revocation](#)” for Clause 41D.) The notification should be made **as soon as possible** after the vote.

## **SAMPLE ACCEPTANCE VOTES**

(Consult with municipal counsel)

### **ADJUSTED EXEMPTION AMOUNT FOR CLAUSE 17s**

VOTED: That the city/town accept [General Laws Chapter 59, Section 5, Clause 17F](#), which authorizes an annual increase in the amount of the exemption granted to senior citizens, surviving spouses and surviving minors under [General Laws Chapter 59, Section 5, Clause \[insert clause used in community, e.g., Clause 17D\]](#), by up to 100% of 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, and to fix that annual increase at **[insert method of fixing increase e.g., 100% of CPI; 2.5% or 100% of the CPI, whichever is less]** to be effective for exemptions granted for any fiscal year beginning on or after July 1, \_\_\_\_\_.

### **ADJUSTED ASSET LIMIT FOR CLAUSE 17s**

VOTED: That the city/town accept [General Laws Chapter 59, Section 5, Clause 17E](#), which authorizes an annual increase in the asset (whole estate) limit for exemptions granted to senior citizens, surviving spouses and surviving minors under [General Laws Chapter 59, Section 5, Clause \[insert clause used in community, e.g., Clause 17D\]](#), by the percentage increase in the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index for the previous year as determined by the Commissioner of Revenue, to be effective for exemptions granted for any fiscal year beginning on or after July 1, \_\_\_\_\_.

### **ADJUSTED INCOME AND ASSET LIMITS FOR CLAUSE 41s**

VOTED: That the city/town accept [General Laws Chapter 59, Section 5, Clause 41D](#), which authorizes an annual increase in the income (gross receipts) and asset (whole estate) limits for exemptions granted to senior citizens under [General Laws Chapter 59, Section 5, Clause \[insert clause used in community, e.g., Clause 41C\]](#), by the percentage increase in the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index for the previous year as determined by the Commissioner of Revenue, to be effective for exemptions granted for any fiscal year beginning on or after July 1, \_\_\_\_\_.