

Residential Tax Exemption

FY2027 scenario at 35%

Eligibility, tax impacts and limits on the exemption

Legislative background and RTE limits

35% RTE Cap

The Municipal Modernization Act allows adopting communities to adjust the residential exemption cap up to 35%. The law has existed since 1979.

With a **seasonal community designation**, a town can raise the exemption level to 50%.

10% taxable-value floor

Under MGL Chapter 59, section 5C, exemptions under section 5 cannot reduce taxable valuation below 10% of full and fair cash valuation.

There are 21 towns in the Commonwealth that have adopted the Residential Tax Exemption.

Residential exemptions: 21 communities

City/Town	% of RTE
Barnstable	25%
Boston	35%
Brookline	20%
Cambridge	30%
Chatham	20%
Chelsea	35%
Concord	10%
Eastham	8%
Everett	25%
Malden	30%
Mashpee	20%
Nantucket	25%
Oak Bluffs	15%
Provincetown	35%
Somerville	35%
Tisbury	22%
Truro	35%
Waltham	35%
Watertown	35%
Wellfleet	33%
West Tisbury	5%

Source: supplied city/town percentages.

How the exemption shifts residential taxes

Same levy

The residential class still funds the same total tax levy.

The tax burden shifts within the residential class.

One residential rate

All residential properties face the same tax rate.

Different taxable values

Qualifying domiciles receive a valuation reduction. This results in a higher residential rate for properties that do not qualify for the RTE make up the difference.

Standard and expanded eligibility for RTE

Standard exemption

A person can have only one legal domicile.

An owner with multiple properties receives the standard exemption only on the domiciled property

Expanded exemption (allowed by home rule petition)

Other properties may qualify through year-round rentals. Owners do not need to reside at property.

Eligibility exists when a property is rented year-round to a Provincetown resident. Local program rules apply.

Documentation needed for a legal domicile

Federal and state income tax returns

The supplied guidance uses these returns to establish legal domicile.

Alternative identification when tax returns are not required

Examples include a valid driver's license, passport, census records, utility bills and bank statements.

Trust-owned domicile: the applicant must be both trustee and beneficiary, and submit trust and beneficiary documents plus domicile evidence.

Expected coverage of the standard exemption in Provincetown for FY2027

927

**Domiciled properties
expected to qualify**

3,423

**Non-domiciled properties
expected not to qualify**

These estimates cover the standard exemption.
Some other properties may qualify under the expanded program.

How the RTE Value is calculated using Provincetown Property Information for FY27

- The Average Assessed Value of a Residence is **\$1,230,944.00**
- Residential Tax Exemption is **35%**
- Apply the RTE to the Average Assessed Value:
 - **$\$1,230,944.00 \times 35\% = \$430,830.40$**
 - This is valued applied to all properties that qualify for the residential tax exemption.

Domiciled Properties with 35% RTE Applied

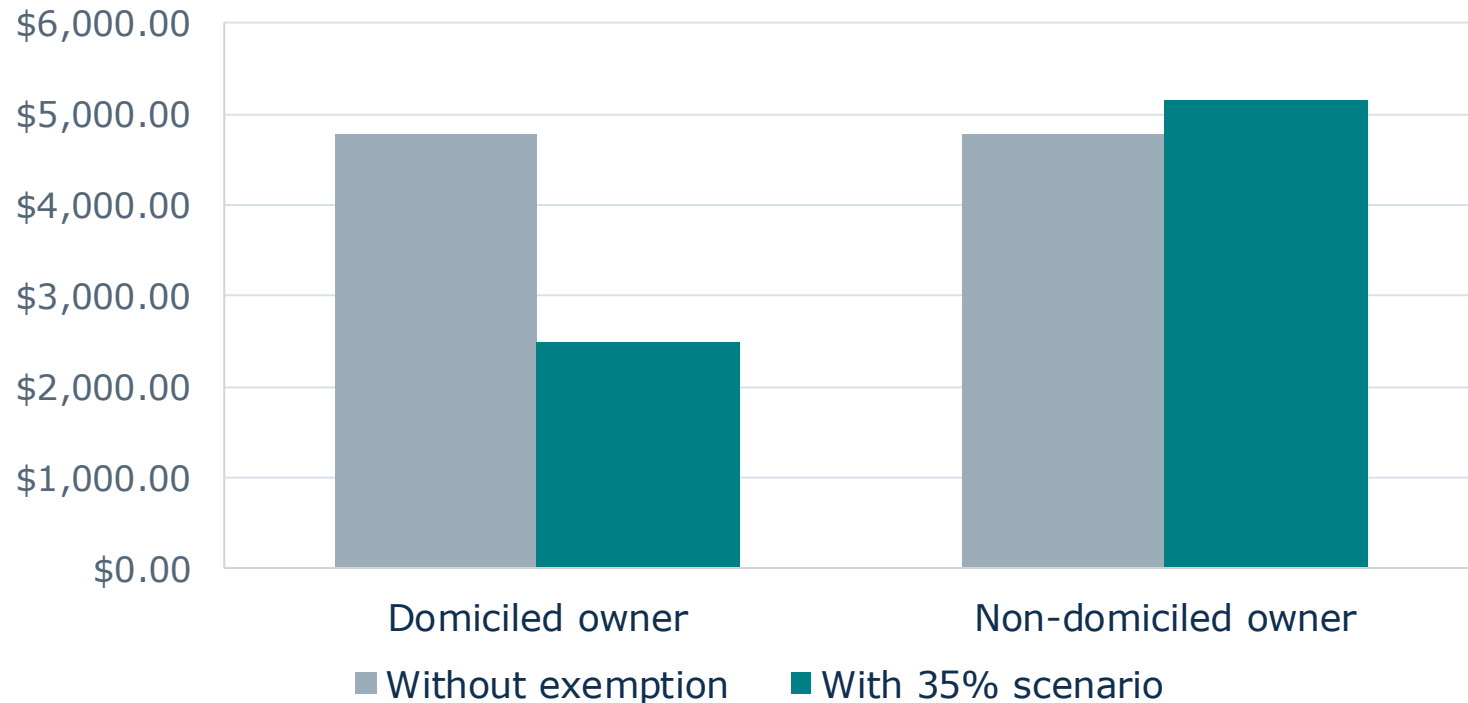
Property Type	Median Value	Original Unadjusted Tax	Residential Adjustment FY27 (decrease)	New Tax after Residential Adjustment	% Change in Tax Amount Paid
Condominium	\$832,200	\$4760.18	(\$2,279.72)	\$2,480.46	-47.89%
Single-Family	\$1,837,850	\$10,512.50	(\$1,817.12)	\$8,695.38	-\$17.29%
2-Family	\$1,770,250	\$10,125.83	(\$1,848.22)	\$8,277.61	-18.25%
3-Family	\$1,966,900	\$11,250.67	(\$1,757.76)	\$9,492.91	-15.62%
Multi-Bldg	\$2,011,380	\$11,505.09	(\$1,737.30)	\$9,767.80	-15.10%
4-8 Unit	\$2,144,400	\$12,265.97	(\$1,676.11)	\$10,589.86	-13.66%

Non-Domiciled Properties with 35% RTE Applied

Property Type	Median Value	Original Unadjusted Tax	Non- Residential Adjustment FY27 (increase)	New Tax after Residential Adjustment	% Change in Tax Amount Paid
Condominium	\$832,200	\$4760.18	\$382.81	\$5,143.00	8.04%
Single-Family	\$1,837,850	\$10,512.50	\$845.41	\$11,357.91	8.04%
2-Family	\$1,770,250	\$10,125.83	\$814.32	\$10,940.15	8.04%
3-Family	\$1,966,900	\$11,250.67	\$904.77	\$12,155.44	8.04%
Multi-Bldg	\$2,011,380	\$11,505.09	\$925.23	\$12,430.33	8.04%
4-8 Unit	\$2,144,400	\$12,265.97	\$986.42	\$13,252.39	8.04%

Condominium with Median Value of \$832,200 at a 35% exemption with/without RTE

Annual tax without the exemption: \$4,760.18



Domiciled owner

-\$2,279.72

47.89% decrease

Resulting tax: \$2,480.46

Non-domiciled owner

+\$382.81

8.04% increase

Resulting tax: \$5,142.99

The 10% taxable-value floor limits relief

10%

**Minimum taxable value
as a share of full and
fair cash valuation**

74 properties

Among the 927 qualifying properties,
valuation alone limits the exemption for 74.

Prior year: 63 adjusted exemptions*

Other exemptions can further limit relief, including Elderly, Veteran's and Senior Work Off.

Is the Residential Tax Exemption Fair?

Percentage of Second Homes in Towns with RTE

Town	% of Second Homes
Barnstable	22%
Chatham	55%
Eastham	57%
Mashpee	31%
Nantucket	60%
Oak Bluffs	61%
Provincetown	56%
Tisbury	50%
Wellfleet	66%
West Tisbury	55%

Why Towns Use RTE

- **Counteracting Soaring Housing Costs**

Real estate values on the Cape and Islands have surged dramatically, pricing out local residents. The RTE helps by shaving off a chunk of their taxable property value before local taxes are calculated.

- **Shifting the Burden to Non-Residents**

The RTE shifts a portion of the overall tax levy from full-time primary residents onto seasonal or non-owner-occupied properties, who can afford the tax increase.

- **Helping Year-Round Workforce/Residents on fixed incomes**

Towns use the RTE to ensure teachers, police officers, trade professionals, and hospitality workers can actually afford to reside full-time in the communities they serve. RTE also helps retirees on fixed incomes.

- **Most second homeowners receive a residential tax exemption where their primary home is located.**

Second Homeowners Want Means Testing for Residents

They argue the RTE is a "blunt tool" that gives tax breaks to full-time homeowners who do not need financial help, while unfairly shifting a heavier tax burden onto non-resident owners.

- **Targeted Relief:** Part-time resident groups argue that tax exemptions should only help lower- and middle-income year-round residents, rather than subsidizing full-time owners of multimillion-dollar properties.
- **Lack of Representation:** Second homeowners note that they pay substantial property taxes but lack local voting rights regarding how municipal budgets and tax revenues are spent.

Residential Tax Exemption

The Residential Tax Exemption is a tool that towns can use to help year-round residents.

Second Homeowners do not like it.

Whether or not it is fair will be up to the individual town to decide.