



## Municipal Reliance on the Property Tax

Massachusetts cities and towns provide many services to residents, from schools and parks to public safety, trash collection, and clean streets. Municipalities pay for these services by levying taxes on homes, businesses and personal property, which together provided nearly two-thirds of local revenue in the MAPC region in 2017. Other revenue comes from state aid, excise taxes, and optional hotel and meal taxes.

Steep increases in the cost of employee health insurance and rising pension obligations have eaten a greater share of local tax revenue in recent years, however, negatively affecting the ability of cities and towns to provide basic services without raising taxes. And, local tax increases are capped at 2.5% per year, unless voters approve an “override” of that limit.

As a share of local revenue, the property tax increased steadily from 55% in 2000 to 63% in 2017. With such a heavy reliance on property taxes, discussions about new municipal expenditures—schools, public safety facilities, etc.—are often shaped more by concerns around growing tax bills than the long-term benefits to the community.

Without diversification of revenue sources, such as increasing state aid, or encouraging more communities to adopt local taxes on meals and hotels, municipalities may find themselves unable to provide stable services in years to come.

Share of Municipal Revenue from Property Taxes by Massachusetts Community Type, MAPC Region

