



Commercial Parking Tax Revenue Potential in Boston/Massachusetts

Produced by the Metropolitan Area Planning Council (MAPC)

August 2024

Acknowledgements

MAPC Staff

Julia Wallerice, *Assistant Director of Transportation*

Adi Nochur, *Senior Transportation Planner*

Eric Bourassa, *Transportation Director*

Lizzi Weyant, *Deputy Executive Director*

Marc Draisen, *Executive Director*

MAPC Officers

President:

Erin Wortman, *Town of Stoneham*

Vice President:

Jennifer Constable, *Town of Rockland*

Secretary:

Imaikalani Aiu, *Town of Weston*

Treasurer:

Sam Seidel, *Gubernatorial*

This briefing is part of a series on [transportation policy and finance proposals by the Metropolitan Area Planning Council \(MAPC\)](#) as the Commonwealth considers new funding streams to support transportation services and infrastructure while meeting the Commonwealth's climate goals.

Table of Contents

Acknowledgements	2
Introduction	4
Commercial Parking Taxes in Major U.S. Cities	4
Table 1 Commercial Parking Tax Rates in Major U.S. Cities	4
Commercial Parking Tax Revenue Potential in Massachusetts	6
Table 2 Potential Annual Commercial Parking Tax Revenues in Massachusetts	6
Boston	7
Cambridge	8
Worcester and Springfield (Central/Western Massachusetts)	9
Other Parking Tax Opportunities	8
Conclusion	11
References of Works Cited	12

Introduction

Many cities across the country apply a sales tax to publicly available commercial parking, but parking taxes in Massachusetts are very limited. Only Boston, Worcester, and Springfield can tax parking transactions at facilities built in conjunction with, or as part of, a project authorized by the Convention Center Financing Act, and those taxes are limited to \$2 per vehicle per day.

This memo provides information about how other major U.S. cities tax parking.

We estimate that commercial parking taxes in Boston and across the Commonwealth could generate at least \$29 million to \$74 million in revenue – and potentially much more – to fund municipal and statewide transportation needs, including public transit systems.

The memo sections that follow provide details about how these parking tax revenue estimates for Boston and the Commonwealth were calculated. The memo concludes with several recommendations and additional ideas for policymakers to consider when implementing commercial parking taxes.

Commercial Parking Taxes in Major U.S. Cities

Commercial parking taxes are special sales taxes imposed on parking transactions at privately-owned parking facilities available to the public. Many cities across the U.S. already have such taxes in place (City of Pittsburgh 2022, Litman 2013) and are using the revenues raised for transportation and other purposes. These municipalities differ in the extent to which they allocate commercial parking tax revenues for general versus specific transportation purposes, as well as the extent to which these revenues are collected at a municipal level or a state level.



Table 1: Commercial Parking Tax Rates in Major U.S. Cities

Municipality	Parking Tax Rate
Chicago	22% during the week (20% on weekends)
Los Angeles	10%
New York	10.375% (plus additional 8% surtax in Manhattan)
Philadelphia	22.5%
Pittsburgh	37.5%
San Francisco	25%
Seattle	14.5%
Washington, D.C.	18%

Table 1 provides an overview of commercial parking tax rates in an illustrative sample of major U.S. cities. Of these eight municipalities, commercial parking tax rates range from 10% in Los Angeles to 37.5% in Pittsburgh, with an average parking tax rate of about 20%.

Data about the annual commercial parking tax revenue raised in these municipalities, the allocation of that revenue, and the use of that revenue for transportation purposes are less readily available than data about the basic parking tax rates. However, even limited data from other cities provide insights into how potential parking taxes in Boston and/or the Commonwealth might be structured, as well as how they might allocate revenue for transportation purposes.

New York and San Francisco are noteworthy in that a portion of their parking tax revenues fund local public transit systems (the MTA in New York, Muni in San Francisco). Of its 10.375% parking tax, New York allocates 0.375% to the Metropolitan Commuter Transportation District (MCTD) tax, which goes to the MTA. The remaining 10% is split between 4% state tax and 6% New York City local tax. San Francisco's 25% parking tax raises about \$50 million in annual revenue and 40% of that net revenue (about \$20 million) goes to Muni/public transportation funds, with the remainder divided between the city's general revenue and senior citizen funds (A Better City 2016, Litman 2013).

New York City	San Francisco
10.375% Parking Tax 	25% Parking Tax 
<ul style="list-style-type: none">• 0.375% allocated to Metropolitan Commuter Transportation District (MCTD) tax for the MTA• 10% is split between 4% state tax and 6% New York City local tax	<ul style="list-style-type: none">• 40% of revenue goes to Muni/public transportation funds• 60% divided between city's general revenue and senior citizen funds.

Chicago and Seattle, on the other hand, use their parking tax revenue for more general transportation purposes. Chicago's parking tax raises about \$135 million in annual revenue, and beginning in 2015, \$10 million of that revenue was allocated to a vehicle tax fund for maintenance of the public way (City of Chicago 2018). All receipts from the parking tax in Seattle are placed in a transportation fund that is used for transportation purposes, in accordance with the city's municipal code.

Commercial Parking Tax Revenue Potential in Massachusetts

An assessment of commercial parking tax revenue potential in Massachusetts requires data on the number of publicly available private parking facilities, the number of parking spaces at these facilities, and the parking costs and parking occupancy at these facilities. While there is no comprehensive source of such data for Boston or for Massachusetts as a whole, data from multiple sources taken together provide insights into the amount of parking available, parking costs and occupancy, and how much revenue a commercial parking tax might generate, based on a range of factors.

Table 2 provides an estimated overview of commercial parking tax revenue potential across Boston and three other cities in Massachusetts, using parking tax rates that are generally representative of the spectrum of the municipalities surveyed in Table 1. **All three scenarios (10% tax, 17.5% tax, 25% tax) would generate tens of millions of dollars in revenue for the Commonwealth and/or local municipalities, with a range of \$29 - \$74 million annually depending on the tax rate.**

Table 2: Potential Annual Commercial Parking Tax Revenues in Massachusetts

Municipality	Revenue Potential (10% Parking Tax)	Revenue Potential (17.5% Parking Tax)	Revenue Potential (25% Parking Tax)
Boston (downtown)	\$19.03 million	\$33.30 million	\$47.57 million
Cambridge (citywide)	\$8.54 million	\$14.95 million	\$21.35 million
Worcester (downtown)	\$650,000	\$1.14 million	\$1.63 million
Springfield (downtown)	\$1.34 million	\$2.34 million	\$3.35 million
Total	\$29.56 million	\$51.73 million	\$73.90 million

The specific assumptions and data that underlie these revenue estimates are detailed further in the memo subsections that follow for each municipality. At baseline, we estimate that 50% of the parking spaces surveyed for each municipality are occupied by one car per day, 365 days per year. (The 50% occupancy figure is derived from Boston Air Pollution Control Commission data, as noted in the Boston subsection that follows.) Average daily parking costs for each municipality (for the purposes of this memo, the cost to park for eight hours) are

derived from a sample of online data for local parking facilities and are assumed to apply to all the parking spaces surveyed in that municipality.

It is worth noting that for Boston, Worcester, and Springfield, the figures presented in Table 2 likely reflect a revenue floor, as additional parking spaces beyond these cities' downtowns may be available at a cost to the public and thus subject to a commercial parking tax. Statewide, MAPC's Land Parcel Database provides additional insights into the number of parking facilities that could be subject to commercial parking taxes.

There are 110 land parcels across Massachusetts associated with the land use code for stand-alone parking garages. This figure does not include garage facilities that might have another land use on site (e.g., an office building with a parking garage underneath). In addition, there are over 4,700 land parcels across the state associated with the land use code for commercial open parking lots for motor vehicles. While a survey of the number of parking spaces, parking costs, and parking occupancy at these facilities is beyond the scope of this memo, **these baseline data indicate that potential commercial parking taxes present significant opportunity for revenue generation beyond the Commonwealth's largest municipalities.**

Boston

The City of Boston's Air Pollution Control Commission (APCC) provides detailed parking inventories for the Downtown, South Boston, and East Boston neighborhoods, where the total number of off-street parking spaces is capped to reduce air pollution. (These areas are also known as "parking freeze" zones.) The APCC's Downtown parking inventory specifically tracks commercial spaces open to the general public, with 30,667 such spaces available as of January 2, 2024 (the total is capped at 35,556 spaces).

Downtown Boston potential parking tax revenue

30,667 x \$34 = \$19.03 - 47.57 Million

Commercial parking spaces in downtown Boston
x 50% spaces occupied

Average daily parking cost
x 365 days/year
x 10% - 25% parking tax rate

Estimated annual parking tax revenue generated by downtown Boston parking spaces alone

Online data on daily parking rates for a sample of 11 parking facilities in the APCC's Downtown and South Boston parking inventories shows an average daily parking cost of \$34 per day. A smaller sample of five of these parking facilities, using average daily maximum parking utilization data that these facilities self-reported to the APCC, shows an average parking occupancy of just under 50% across all five facilities. Assuming that the \$34 daily cost and the 50% parking occupancy rate apply to all 30,667 commercial spaces open to the general public in the Downtown parking inventory, and that the 50% total of occupied spaces are occupied by one car per day, 365 days per year, and that a parking tax rate of 10% to 25% applies to these spaces, **we arrive at a range of \$19.03 million to \$47.57 million in annual parking tax revenue generated by Downtown Boston parking spaces alone.**

There are many more off-street parking spaces beyond Downtown Boston that could be subject to a potential parking tax. A Better City's 2016 "Future of Parking in Boston" report estimates a total of approximately 380,000 off-street parking spaces in the City of Boston (not including small residential driveways); the 30,667 spaces in the APCC's Downtown parking inventory represent less than 10% of this total. **If even a fraction of the remaining 350,000 off-street spaces is available to the public at a cost, a parking tax on these spaces would generate significant additional revenue.**

Cambridge

Across the Charles River from Boston, Cambridge is also positioned to generate substantial revenue from a potential commercial parking tax. The City's 2022 parking study provides an inventory of 16,400 off-street commercial parking spaces. This inventory includes municipal and MBTA lots, but also identifies 12,000 registered, privately-owned commercial parking spaces. The study further notes that "most commercial parking spaces may be used by any public user for a fee." (City of Cambridge 2022)

Cambridge potential parking tax revenue			
12,000	x	\$39	= \$8.54 - 12.35 Million
Commercial parking spaces in Cambridge x 50% spaces occupied		Average daily parking cost x 365 days/year x 10% - 25% parking tax rate	Estimated annual parking tax revenue generated by parking spaces in Cambridge

Online data on daily parking rates for a sample of six parking facilities in Cambridge shows an average daily parking cost of \$39 per day. Assuming this cost applies to all 12,000 privately owned commercial spaces, and using the same assumptions for the Boston calculations above (50% of parking spaces occupied by one car per day, 365 days per year with a 10% to 25% parking tax rate), **we arrive at a range of \$8.54 million to \$12.35 million in annual parking tax revenue from Cambridge parking facilities.**

Worcester and Springfield (Central/Western Massachusetts)

While less comprehensive parking data are available for Worcester and Springfield (the other two cities that can impose a limited parking tax at facilities associated with the Convention Center Financing Act), commercial parking tax revenue estimates can still be developed for these communities as well. A 2018 Worcester downtown parking map provides an inventory of 2,971 private parking spaces in and around downtown, and a sample of three of these private parking facilities shows an average daily parking cost of \$12 per day. Using the same assumptions for the Boston and Cambridge calculations above, **we arrive at a range of \$650,000 to \$1.63 million in annual parking tax revenue** generated by the downtown Worcester spaces alone.

Downtown Worcester potential parking tax revenue			
2,971	x	\$12	= \$650,000 - 1.63 Million
Commercial parking spaces in downtown Worcester x 50% spaces occupied		Average daily parking cost x 365 days/year x 10% - 25% parking tax rate	Estimated annual parking tax revenue generated by parking spaces in downtown Worcester

The same assumptions and calculations for downtown Springfield, based upon two private parking facilities with a total of 3,188 spaces and an average daily parking cost of \$23 per day, **yields a range of \$1.34 million to \$3.35 million in annual parking tax revenue** for these spaces alone. As in the case of Boston, these downtown parking spaces in Worcester and Springfield may not reflect the full spectrum of parking spaces that could be subject to a tax – **again suggesting that the citywide revenue potential could be even higher.**


Downtown Springfield potential parking tax revenue			
3,188	x	\$23	= \$1.34 - 3.35 Million
Commercial parking spaces in downtown Springfield x 50% spaces occupied		Average daily parking cost x 365 days/year x 10% - 25% parking tax rate	Estimated annual parking tax revenue generated by parking spaces in downtown Springfield

Other Parking Tax Opportunities

As noted earlier in this memo, many other cities and towns in Massachusetts have publicly available commercial parking, though they likely have lower parking costs and less parking overall than downtown Boston or Cambridge. While commercial parking tax revenues generated in individual municipalities beyond the Commonwealth’s largest cities may be relatively low (especially in smaller municipalities), the total revenue generated from commercial parking taxes across the state would cumulatively be significant.

There has also been an increase in privately owned parking spaces available to the public through mobile-based apps, presenting another opportunity to tax parking transactions. Online apps like SpotHero, ParkWhiz, and Parkopedia enable owners of small commercial and residential properties, and sometimes even individual homeowners, to advertise one or two parking spaces for short- or long-term rent. Cook County, Illinois has implemented a 6% tax on parking transactions made through these apps. Just as ride-hailing companies like Uber and Lyft are subject to state fees, the Commonwealth should identify ways to ensure that third party parking app companies pay appropriate fees or taxes and dedicate the revenue to transportation needs.

Mobile-based apps present another opportunity to tax parking transactions





The Commonwealth should identify ways to ensure that third party parking app companies pay appropriate fees or taxes and dedicate the revenue to transportation needs

Conclusion



While exact figures are pursuant to additional research and analysis, there is evidence that a commercial parking tax would generate significant funding for transportation in Massachusetts. **A combined estimate from our research to date is that a 10% - 25% tax on commercial parking in Boston, Cambridge, Worcester and Springfield could generate between \$29 - \$74 million in annual revenue.** At the low end of the spectrum, \$29 million would almost fully fund the annual operating budget of the Worcester Regional Transit Authority (\$34 million per year). At the high end of the spectrum, \$74 million would enable the MBTA and other regional transit authorities to purchase 74 battery electric buses.

As noted earlier in this memo, commercial parking taxes beyond the Commonwealth's largest municipalities would generate additional revenues beyond the estimates outlined above. Commercial parking taxes could be collected like existing local option taxes for meals and hotels.

MAPC recommends that commercial parking tax revenues be split between municipalities, the MBTA, and regional transit authorities. The municipal revenue can be used for local transportation purposes. Such a revenue-sharing model would effectively support both local and statewide transportation needs.

References and Works Cited

A Better City. "Future of Parking in Boston." November 2016.

City of Boston. "Downtown & South Boston Parking Freeze Map 2023." 2023.

<https://boston.maps.arcgis.com/apps/mapviewer/index.html?webmap=7cffbee5e70f4148912cd913bd570262>

City of Boston. "Parking Freezes." Updated January 2, 2024.

<https://www.boston.gov/departments/environment/air-pollution-control-commission/parking-freezes>

City of Cambridge. "2022 City of Cambridge Parking Study." 2022.

City of Chicago. "Annual Financial Analysis 2018." 2018.

https://www.chicago.gov/content/dam/city/depts/obm/supp_info/2019Budget/2018AnnualFinancialAnalysis_CityofChicago.pdf

City of Pittsburgh. "Strip District Mobility Plan." 2022.

Commonwealth of Massachusetts. "Worcester Downtown Parking Map." Updated November 8, 2018. <https://www.mass.gov/doc/worcester-downtown-parking-map>

Littman, Todd. "Parking Taxes: Evaluating Options and Impacts." Victoria Transport Policy Institute: August 29, 2013.

Metropolitan Area Planning Council. "Land Parcel Database." Updated April 2020.

<https://www.mapc.org/learn/data/#landparceldb>