



# Watertown City Council

Administration Building  
149 Main Street  
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Phone: 617-972-6470

ELECTED  
OFFICIALS:

Mark S. Sideris,  
Council President

Vincent J. Piccirilli, Jr.,  
Vice President &  
District C Councilor

John M. Airasian,  
Councilor At Large

Caroline Bays,  
Councilor At Large

John G. Gannon,  
Councilor At Large

Anthony Palomba,  
Councilor At Large

Nicole Gardner,  
District A Councilor

Lisa J. Feltner,  
District B Councilor

Emily Izzo,  
District D Councilor

## Committee of the Budget and Fiscal Oversight

**Meeting: March 11, 2024**

**Report: March 26, 2024**

The Committee convened on Monday March 11, 2024 at 6:00 pm in the Louis P. Andrews Upper Conference Room, as a hybrid meeting with remote participation by zoom. Present were Councilors Vincent Piccirilli, chair, Emily Izzo, vice chair, and Nicole Gardner, secretary. Staff present were City Auditor Megan Langan, Chief Financial Officer Ari Sky, Chief Assessor Earl Smith, and Council Analyst Doug Newton. Also present were Councilor Caroline Bays and resident Brendan McCarthy. Joining by zoom were Councilors Anthony Palomba and John Airasian; Greg Reibman of the Charles River Chamber of Commerce, Doug Orifice from the Watertown Business Coalition, and residents Jacky Van Leeuwen and Sara Ebaugh.

Councilor Piccirilli called the meeting to order at 6:01 pm. The purpose of the meeting was to discuss:

1. Increasing the personal property tax exemption from \$5,000 to \$10,000
2. Adopting a real estate transfer tax

### Personal Property Tax Exemption

The meeting began with Mr. Smith presenting an analysis of the impact of making the change (Attachment A). Key points of discussion:

1. There are 118 businesses with personal property above \$5,000 and below \$10,000. If this change were made, those 188 businesses would no longer have to pay personal property tax.
2. Of those 118 businesses, 112 of those businesses are existing accounts.
  - With no change, they would pay a total of \$19,237 in personal property taxes.
  - With the change, they would be exempt, and that \$19k tax burden – already in our tax base - - would be shifted to the remaining 326 accounts in the commercial/industrial/personal property tax base.
3. Six of the businesses are new accounts.
  - With no change, they would be taxed for the first time in 2024, and would pay a total of \$908 in personal property taxes.
  - With the proposed change, they would be exempt, and the City would lose the \$908 in revenue.

A brief discussed ensued. Councilor Gardner asked if a sensitivity analysis had been conducted to look at the impact of raising the exemption even higher, given the minimal impact on the City's revenues. Mr. Smith explained that the Commonwealth caps the exemption at \$10,000 per G.L. Chapter 59, Section 5, Clause 54.

➔ **Action item:** Councilor Gardner made a motion, seconded by Councilor Izzo, that the Committee recommends the City Council increase the Personal Property Tax Exemption from \$5,000 to the G.L. Chapter 59, Section 5, Clause 54 statutory limit of \$10,000. Voted 3-0

## **Real Estate Transfer Tax**

Mr. Piccirilli began by providing the following information:

- Governor Healey introduced the Affordable Homes Act in October 2023 as a way for the Commonwealth to address the housing crisis of availability and affordability.
- It includes giving municipalities the option to introduce a real estate transfer tax.
- This is still with the legislature, although it out of committee.
- Twelve communities have put forth Home Rule Petitions for transfer taxes over the years, and the Legislature has taken no action on any of them.

He then suggested that the Committee leave this as an open referral, and take up discussion after there is clarity on what finally comes out of the Legislature. At that point, the Committee will know what degrees of freedom Watertown will have, and can make a recommendation to the City Council on whether or not to institute a tax, and if so, how to craft it so it meets the needs of our community. Things to be considered could include, for example, whether it is charged to the seller, the buyer, or a combination, or what the threshold sale price should be. Every community is different, and it will be important to tailor this for our community's needs.

Brendan McCarthy, a real estate agent, shared that the median sales price in Watertown is \$850,000, and over 90 properties sold for over \$1 million in 2023. He expressed a concern that a transfer tax would be charged to the seller, and that it might reduce people's willingness to sell their property, reducing turnover (Attachment B).

Councilor Bays noted that it is not yet clear whether the transfer tax would be charged to the buyer, the seller, or a mix.

Greg Reibman from the Chamber of Commerce commented that it is important to think through the consequences of a transfer tax. He noted that it would also apply to commercial properties, and that Watertown might be less competitive in the commercial real estate market if it puts a transfer tax in place.

Councilor Piccirilli said it is important for residents to contact their legislators (Senator Brownsberger, and Representatives Lawn and Owens) to let them know their views.

Councilors Izzo and Gardner concurred with the approach of taking the referral up again when the legislature has completed their work.

The meeting adjourned at 6:28 pm.

Report prepared by Nicole Gardner

### **Attachments:**

- A. Email from Earl Smith
- B. Brendan McCarthy home sales statistics

## Analysis for Committee on Budget and Fiscal Oversight (Implications of raising taxable Personal Property threshold to \$10K)

Smith, Earl <esmith@watertown-ma.gov>

Thu 3/7/2024 12:54 PM

To: Piccirilli, Vincent J <vpiccirilli@watertown-ma.gov>; Gardner, Nicole <nicole.n.gardner@gmail.com>; Izzo, Emily <eizzo@watertown-ma.gov>

Cc: Sky, Ari <asky@watertown-ma.gov>; Proakis, George <gproakis@watertown-ma.gov>; Langan, Megan <mlangan@watertown-ma.gov>

📎 1 attachments (221 KB)

Personal Property Accounts Inventory FY24.xls;

March 7, 2024

Greetings,

Attached is an inventory of taxable personal property accounts (meeting the current \$5,000 threshold of assets). This spreadsheet is what I base my analysis on for the Budget and Fiscal Oversight meeting. Tab 1 shows all fiscal year 2024 taxable personal property accounts with a \$5000 threshold, tab 2 shows all taxable personal property accounts with a \$10,000 threshold. This is a summary:

Currently with a \$5000 threshold, the city has:

- 444 taxable personal property accounts
- Assessed value of those accounts \$318,149,790
- This generates taxes of \$7,342,897+-

Based on FY24 accounts, with a \$10,000 threshold, the city would have had:

- 326 taxable personal property accounts (118 fewer accounts)
- Assessed value of those accounts \$317,276,918 (\$872,872 less in value)
- This would have generated \$7,322,751+- (\$20,146 less in tax dollars)\*\*\*\*

**\*\*\*\**Wonky Part of Analysis. If this had been implemented for FY24, because 112 of the accounts between 5K - \$10K were existing – those account taxes would have already been part of the levy – therefore \$19,237 would have still been raised allocating those taxes to the entire commercial/industrial/personal property tax base. The only true cost of raising the threshold to \$10K would have been the six new accounts taxed for the first time which represent \$39,320 in value equating to \$908 in tax dollars.***

If anyone has any questions prior to the Budget and Fiscal Oversight meeting or would like to be walked through this, I would be glad to help. My direct line is 617-715-8634.

Thanks,

Earl L. Smith  
Chair, Board of Assessors

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