



Commonwealth of Massachusetts

HOUSE OF REPRESENTATIVES
STATE HOUSE, BOSTON, MA 02133-1054

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STATE HOUSE, ROOM 243

CHAIRMAN
Committee on Ways and Means

MEMORANDUM

From: Charles A. Murphy, Chairman, House Committee on Ways and Means
To: Citizens for Limited Taxation
Re: **Overlay/Abatement Accounts as part of the Municipal Relief Bill**
Date: April 22, 2010

My friends at CLT:

In an effort to ensure that accurate information is disseminated on the abatement account portion of the recently released Municipal Relief Bill (MRB), I wanted to respond directly to your press release dated April 21, 2010. The information you shared is not completely accurate and I want to be sure your membership is properly informed on the subject.

Let me be clear, the proposed MRB does not allow the following despite your assertions to the contrary:

1. Raise property taxes over \$500 million;
2. Allow communities to increase community's levy limit;
3. Allow abatement account money to be spent, "on anything at all".

More importantly, this is not an "assault" on Proposition 2 1/2.

What this proposal does allow is the following:

1. Allows for a single overlay account to be created in each community that, unlike current overlay accounts, could be carried forward annually but cannot be used to fund anything other than anticipated property tax abatements, exemptions, and uncollected taxes. In other words, under the MRB, **municipalities can no longer use any funds in the overlay account to finance operating or other municipal spending.**
2. There is no incentive to raise more than what is needed as the money can only be used for a tightly defined purpose. Moreover, any proposed increase must be approved as "reasonable" by the Commissioner of the Department of Revenue to meet the specific exposures covered by an overlay account.
3. Since the money in the overlay account carries forward, municipalities may be able to avoid raising additional amounts for the account in future years.

4. This proposal is not a permanent increase. It is treated like an exclusion outside of the levy limit base and is not included in the next year's levy limit.

5. In FY10 communities raised 1.42% of the levy as overlay, which amounted to \$164.4M, significantly less than the alleged \$500M. With the exception of a couple of years, this number has steadily declined in the last 22 years. Again, there will now be zero incentive to raise more than what is needed under the MRB, for additional funds in the overlay account can no longer be used for operating or other municipal spending.

As you know the proposed House FY11 budget calls for a reduction in local aid, as well as cuts to a myriad of other programs and agencies that will have immediate and drastic results across the commonwealth. The intent of the MRB is to provide cities and towns additional "tools" to assist them in what are extremely difficult fiscal times.

Please do not hesitate to contact me if you would like to discuss this matter further.