



Boston Homeowners Face a \$1 Billion Tax Bill

BY PETER GRANT

Boston's office-building values have taken a big hit. That is causing homeowners like Paulette Durrett to dig deeper into their wallets.

When the value of the city's commercial buildings falls, that places a higher tax burden on Boston residential owners. Since it can take years for tax assessments to change, tax bills earlier this year were the first since the outbreak of Covid-19 that boosted residential tax rates because of a major decline in commercial values.

While homeowners in other cities are starting to feel this tax burden, it is particularly extreme in Boston.

Durrett, 76 years old, said her annual bill will more than double to close to \$1,600 from about \$720. That is going to force the retiree to shelve plans for home repairs, replacing her 15-year-old car and buying new clothes this spring.

"I'm going to have to tighten my belt," she said.

She is one of tens of thousands of Boston homeowners who received a bigger-than-expected tax bill, in large part because Boston office buildings have tumbled in value by more than 50% in some cases since 2019.

Boston, like other cities, could adjust by cutting budgets for public schools, police and fire or other public services. But the city doesn't want to take these steps.

\$1 billion shift

Continued downward pressure on commercial values would shift more than \$1 billion of Boston's tax burden to homeowners over the next five years, according to a report from the nonprofit Boston Policy Institute. Those increases would be on top of additional tax hikes many owners face because their homes have risen in value.

Boston's finances are expected to take another hit from the repercussions of President Trump's fight with Harvard University, a major source of jobs and economic development in the region. Trump froze \$2.26 billion in grants and contracts with Harvard and has threatened to end the school's tax-exempt status. Harvard has sued to challenge the administration's actions.

Boston Mayor Michelle Wu said the recent tax increase, which averaged more than 9% annualized on over one-half of single-family homeowners, is adding to the pressure on households "that are barely keeping it together" from skyrocketing prices and other financial pressures.

Other U.S. city budgets haven't felt the impact of weakening office values as much as Boston, in part because many have other sources of revenue such as income tax and sales tax. More than one-third of Boston's tax revenue comes from commercial property taxes, the highest level among major U.S. cities.

Other city budgets also will soon be hit by falling office values, especially if tariffs and the prospect of a recession derail the fledgling office-market recovery.

Median declines in commercial- property tax revenue are projected to range from 0.9% to 3.2% of total city revenue by 2031, according to a study of 13 of the largest office markets by the Urban-Brookings Tax Policy Center. "Some homeowners are going to see big spikes," said Thomas Brosy, one of the study's authors.

Pressure on Boston's budget has been slowly building. Until recently, many office buildings were able to hold their value despite weak demand because most leases are long term.

The total taxable value of Boston commercial property actually increased to \$63 billion in fiscal 2024 (which started July 1, 2023), from \$52 billion in fiscal 2020, according to Evan Horowitz, who worked on the report for the Boston Policy Institute.

Unprecedented drop

But now, the lingering office- market weakness is starting to take a toll. The taxable value of Boston's commercial property fell in fiscal 2025 to \$61.2 billion, said Horowitz, who heads a Tufts University research center. Such a decline "is basically unprecedented, outside of recessions," he said.

In a stark example of the city's plunging office values, a lending group in March took ownership of One Lincoln, a 1.1-million-square-foot office tower, for \$400 million in a foreclosure auction. The tower had been refinanced for \$1 billion in 2022.

The shifting tax burden to residential property has triggered a feud between the real estate industry and the mayor, who wants to cushion the blow to homeowners. Wu last year failed to persuade the state legislature to give them relief by shifting more of the tax burden to commercial landlords.

Wu is trying again this year. She is up for re-election later this year and already faces a challenge from philanthropist Josh Kraft, son of New England Patriots owner Robert Kraft, who has the backing of some business leaders.

Office landlords say Wu's tax-shifting plan would add to their costs and impede the city's efforts to attract workers back.

"If we want more people in these buildings paying rent, we don't want to hit owners with higher tax bills that would be passed on to tenants," said Tamara Small, chief executive of NAIOP Massachusetts, a real estate industry group.

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