



West Tisbury Board of Assessors

February 6, 2024

Affordable Rental Exemption Overview

Affordable Rental Property Tax Relief

A new local option in Chapter 50 of the Acts of 2023 allows towns to provide a real estate tax exemption to owners of residential property that is rented year-round at affordable rates.

Although the Department of Revenue has yet to produce guidance on this option, they have indicated that they will provide a standardized application form for Fiscal Year 2025, the first year the option can be implemented.

Based on the text of the law, it appears the option has to be accepted at Town Meeting, and then the Select Board would determine an exemption amount and renter income limits (up to 200% of AMI). HUD affordability standards would dictate the maximum rent.

Owners would apply for the exemption, and provide a signed year-round lease along with proof of the tenants' income. The law also allows the Town to adopt ordinances or by-laws to implement the exemption.

Properties where only a portion of the living space is rented affordably are limited to an exemption amount not more than the pro-rated area times the total taxes due on the property.

How many properties might qualify?

We have reviewed the Town Clerk's Street Listing against property ownership records, and this suggests about 10% of the residential class parcels with housing in West Tisbury are at least partially rented to someone year-round. Census figures show similar numbers.

We have no way of knowing how many of those rentals have or will have leases, what the lease terms are, and what tenant incomes are.

The total number of year-round rental properties in West Tisbury, based on the late 2022 Street List and ownership records, is 216. Of course, some people are not on the Street List, and others may be on it but aren't renting year-round. Any estimates for qualified properties are subject to substantial error.

How would the exemption be funded?

It is unclear from the text of the law whether this exemption would operate like the residential exemption, where the tax rate for the residential class is increased to offset lost tax revenue, or whether it would come from an appropriation or the overlay account. Based on conversations we've had with the Department of Revenue, the current expectation is that all exemption payments would come from the overlay account, as opposed to raising the tax rate or requiring an appropriation.

Staffing Requirements

Unlike the Residential Exemption, qualification would need to be done annually. The assessors would need to review lease terms and individual income tax returns annually for all qualified applicants. We would also need to gather information on the living area of the rented space relative to total living area to insure exemptions don't exceed the law's pro-ratio requirement.