



Informational Guideline Release

Bureau of Municipal Finance Law
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(Supersedes IGR No. 03-209)

SUPPLEMENTAL TAX ASSESSMENT ON NEW CONSTRUCTION

[G.L. c. 59, § 2D](#)

This Informational Guideline Release (IGR) informs local officials of the requirements of [G.L. c. 59, § 2D](#) allowing supplemental tax assessments and abatements due to fire or natural disaster after the assessment date.

Topical Index Key:

Abatements and Appeals
Assessment Administration
Tax Bills

Distribution:

Assessors
Collectors
Accountants/Auditors
Mayors/Selectmen
City/Town Managers/Exec. Secys.
Finance Directors
Finance Committees
City/Town Councils
City Solicitors/Town Counsel

(Supersedes IGR No. 03-209)

SUPPLEMENTAL TAX ASSESSMENT ON NEW CONSTRUCTION

[G.L. c. 59, § 2D](#)

SUMMARY:

Cities and towns may make a pro rata tax assessment on the value of certain improvements to real estate made after the January 1 assessment date. [G.L. c. 59, § 2D](#). The assessment is made only on those parcels for which an occupancy permit is issued during the fiscal year and the new construction increases the parcel value by over 50 percent, exclusive of the value of the land. This assessment is in addition to the regular property tax that is assessed on the property based on its January 1 status. It is calculated by applying the tax rate to the value of the improvement and prorating that amount over the remainder of the fiscal year after the permit was issued. If the permit was issued between January 1 and June 30, a pro forma tax assessment may be imposed for the following fiscal year as well. The purpose of this supplemental assessment is to provide the city or town with some of the real estate taxes that would have been due for the fiscal year if the new construction had existed on that year's assessment date. In addition, the assessors must abate property taxes on any parcel in the community whenever it loses more than 50 percent of its value due to fire or other natural disaster after the assessment date, exclusive of the value of the land.

The statute **applies automatically unless** the Department of Revenue is notified in writing by the selectmen, town council or city council, with the mayor's approval if required by law, of its rejection.

Assessors must assess supplemental assessments on any qualifying new construction for which an occupancy permit issues, and grant abatements on any qualifying property loss that occurs, unless their city or town rejects the statute and notifies the Department.

These guidelines are in effect and supersede IGR No. 03-209 Supplemental Tax Assessment on New Construction and inconsistent prior written statements.

GUIDELINES:

I. APPLICATION OF STATUTE

Assessors must make supplemental assessments and grant abatements on qualifying parcels **unless the Department of Revenue has been notified that their city or town has rejected** the provisions. [G.L. c. 59, § 2D](#).

A. Decision to Reject

The decision to reject application of the statute is made by majority vote of the selectmen, town council or city council, with the approval of the mayor if required by law. The rejection will apply until rescinded. See Section I-D below.

A city or town that had previously accepted the statute may reject it in this manner at any time. The community does not need to wait a minimum of three years before changing its decision because the statute is no longer a local acceptance provision subject to [G.L. c. 4, § 4B](#).

B. Notice of Rejection

The Department of Revenue **must be notified** in writing of the rejection for it to be effective. To do so, the municipal clerk should submit a completed ["Notice of Rejection"](#) to the Division of Local Services.

C. Effective Fiscal Year

The vote and notification should ordinarily be made before the beginning of the fiscal year the rejection is to take effect so that the assessors and collector can properly plan in the event implementation is required. In all cases, the vote should expressly state the fiscal year the rejection takes effect. The following language is recommended for the vote:

VOTED: That the city/town of _____ reject the provisions of [G.L. c. 59, § 2D](#), which impose a supplemental property tax assessments on certain improvements to real estate constructed after January 1 once an occupancy permit is issued, for fiscal years that begin on or after July 1, _____.

D. Revocation of Rejection

A community may rescind its rejection at any time.

Rescission is also by majority vote of the selectmen, town council or city council, with the approval of the mayor if required by law, and written notice must be given to the Department of Revenue to be effective. To do so, the municipal clerk should submit a completed ["Notice of Rescission of Rejection"](#) to the Division of Local Services. The vote and notice should be made before the beginning of the fiscal year the rescission is to take effect to allow the assessors and collector sufficient time to plan for implementation. The following language is recommended for the vote:

VOTED: That the city/town of _____ rescind its vote of _____, _____ to reject the provisions of [G.L. c. 59, § 2D](#) and make those provisions applicable in the city/town for fiscal years that begin on or after July 1, _____.

II. SUPPLEMENTAL ASSESSMENTS

A supplemental tax assessment is made on a real estate parcel for the fiscal year whenever (1) a temporary or permanent occupancy permit is issued for that parcel during that fiscal year and (2) the new construction or improvement made after the annual assessment for the fiscal year has increased the assessed value of the parcel by over 50 percent, exclusive of the value of land. In some cases, a supplemental tax assessment may be made for the following fiscal year as well.

A. Occupancy Permits

Assessments are triggered by the issuance of a temporary or permanent occupancy permit. Therefore, the assessors and building inspectors will have to develop a system for ensuring that the assessors' office receives timely notification of all occupancy permits issued.

B. Assessment

1. Pro Rata Supplemental Assessment

For the fiscal year in which the occupancy permit is issued, any supplemental tax assessment will be pro-rated based on the number of days left in the fiscal year after the permit issued. The assessment is based on the increased valuation that results from the parcel being improved by new construction after the regular tax assessment on the property was determined for that fiscal year. An assessment may be made only if the value of the parcel (exclusive of the value of the land) improved by the new construction is greater than 50 percent of the assessed value of the parcel for the FY (exclusive of the value of land). No assessment is made if the construction results in a 50 percent or less increase.

The pro rata assessment is computed by applying the tax rate for the current fiscal year, *i.e.*, the fiscal year in which the occupancy permit is issued, to the increased value of the improvement and multiplying the result by a fraction equal to the number of days left in the tax year over 365.

Example 1

A parcel of vacant residential land is assessed for \$50,000 as of January 1, 2019, at a FY20 tax rate of \$10.00/1000. On April 1, 2020, an occupancy permit is issued after construction of a new house. The value of the improvement is \$200,000. Because the value of the improvements has increased by more than 50% (from zero to \$200,000), a FY20 pro rata supplemental tax assessment is made as follows:

a. Tax rate FY20	\$10/1000
b. Value of improvements on assessment date Jan 1, 2019	0
c. Value of improvements after new construction and occupancy permit issued April 1, 2020	\$200,000
d. Increased value of improvements	\$200,000
e. 50% value of improvements on Jan 1 assessment date	0 – vacant land
f. Increased value improvements > 50% of value improvements on Jan 1 assessment date?	Yes, \$200,000 > 0
g. Number tax days remaining in FY	90
h. Fraction representing remaining days in FY	90/365
i. FY 20 supplemental assessment calculation	$(\$200,000[d] \times \$10.00/1000[a]) \times 90/365[g] = \493.15

Example 2

A parcel including a house is assessed at \$200,000 (house value is \$150,000 and land value is \$50,000) as of January 1, 2019. The FY20 tax rate is \$10.00/\$1000. During FY20, the house is torn down and a larger, modern house is built. An occupancy permit for the new house is issued on April 1, 2020. The new house has a value of \$200,000. As a result, the increased value of the improvement is \$200,000 - \$150,000 = \$50,000. Because the increased value of the improvement (\$50,000) is not more than 50% of the value of the improvement on the January 1 assessment date (\$75,000), a supplemental assessment for FY20 is not allowed.

a. Tax rate FY20	\$10/1000
b. Value of improvements on assessment date Jan 1, 2019	\$150,000
c. Value of improvements after new construction and occupancy permit issued April 1, 2020	\$200,000
d. Increased value of improvements	\$50,000
e. 50% value of improvements on Jan 1 assessment date	\$75,000
e. Increased value improvements > 50% of value improvements on Jan 1 assessment date?	No, \$50,000 is < \$75,000
f. Number tax days remaining in FY	N/A
g. Fraction representing remaining days in FY	N/A
h. FY20 supplemental assessment calculation	N/A

Example 3

A parcel including a house is assessed at \$200,000 (house value is \$150,000 and land value is \$50,000) as of January 1, 2019. The FY20 tax rate is \$10.00/\$1000. During FY20, the house is torn down and a larger, modern house is built. An occupancy permit for the new house is issued on April 1, 2020. The new house has a value of \$350,000. As a result, the increased value of the improvement is \$350,000 - \$150,000 = \$200,000. Because the increased value of the improvement (\$200,000) is more than 50% of the

value of the improvement on the January 1 assessment date (\$75,000), a supplemental assessment is allowed.

a. Tax rate FY20	\$10/1000
b. Value of improvements on assessment date Jan 1, 2019	\$150,000
c. Value of improvement after new construction and occupancy permit issued April 1, 2020	\$350,000
d. Increased value of improvement	\$200,000
e. 50% value of improvements on Jan 1 assessment date	\$75,000
e. Increased value improvements > 50% value improvements on Jan 1 assessment date?	Yes, \$200,000 is > \$75,000
f. Number tax days remaining in FY	90
g. Fraction representing remaining days in FY	90/365
h. FY20 supplemental assessment calculation	$(\$200,000[d] \times \$10.00/1000[a]) \times 90/365[g] = \493.15

Example 4

A parcel including a house is assessed at \$200,000 (house value is \$150,000 and land value is \$50,000) as of January 1, 2019. The FY20 tax rate is \$10.00/\$1000. During FY20, the house is torn down and a larger, modern house is built. An occupancy permit for the new house is issued on April 1, 2020. The new house has a value of \$225,000. As a result, the increased value of the improvement is \$225,000 - \$150,000 = \$75,000. Because the increased value of the improvement (\$75,000) is not more than 50% of the value of the improvement on the January 1 assessment date (\$75,000), a supplemental assessment is not allowed.

a. Tax rate FY20	\$10/1000
b. Value of improvements on assessment date Jan 1, 2019	\$150,000
c. Value of improvement after new construction and occupancy permit issued April 1, 2020	\$225,000
d. Increased value of improvement	\$75,000
e. 50% value of improvements on Jan 1 assessment date	\$75,000
e. Increased value improvements > 50% value improvements on Jan 1 assessment date?	No, \$75,000 is not > \$75,000
f. Number tax days remaining in FY	N/A
g. Fraction representing remaining days in FY	N/A
h. FY20 supplemental assessment calculation	N/A

2. Pro Forma Supplemental Assessment

If the occupancy permit is issued between January 1 and June 30, the parcel may also be subject to a full pro forma supplemental tax assessment for the following fiscal year unless the community has adopted Chapter 653 § 40 of the Acts of 1989, codified in the general laws in the third sentence of [G.L. c. 59, § 2A](#). If this local option is adopted, the value of the improvement will already be included in the

following year's regular property tax assessment because the value of improvement as of June 30 is deemed part of the property as of the preceding January 1 assessment date.

A pro forma supplemental assessment is based on the increased valuation that results from the parcel being improved by new construction after the January 1 assessment date for the fiscal year of the pro forma assessment (the fiscal year following the fiscal year the occupancy permit was issued). Again, an assessment may be made only if the value of the parcel with the improvement is more than 50 per cent greater than the assessed value for that particular year, exclusive of the value of land. Therefore, the assessed valuation of the parcel may be different from that used to determine the pro rata assessment.

The pro forma assessment is computed by applying the next fiscal year's tax rate to the increased value of the improvement for that year, exclusive of the value of land.

Example 5

A parcel of vacant land has a value of \$60,000 on the January 1, 2020 assessment date for FY21. The construction activity for the new house takes place as described in Example 1 above after the January 1, 2020 assessment date and an occupancy permit issues on April 1, 2020. The FY21 assessed valuation of the parcel is \$60,000 (vacant land); however, the value of the improved parcel after the permit issues is \$260,000 as it includes the value of the improvement (\$200,000). Because the value of the improvements has increased by more than 50% (from zero to \$200,000), a FY21 pro rata supplemental tax assessment is made based upon the FY21 tax rate as follows:

a. Tax rate FY21	\$11/1000
b. Value of improvements on assessment date Jan 1, 2020	0
c. Value of improvements after new construction and occupancy permit issued April 1, 2020	\$200,000
d. Increased value of improvement	\$200,000
e. 50% value of improvements on Jan 1 assessment date	0 – vacant land
f. Increased value improvements > 50% of value improvements on Jan 1 assessment date?	Yes, \$200,000 > 0
i. FY 21 supplemental assessment calculation	$\$200,000[d] \times \$11.00/1000[a] = \$2200$

Example 6

A parcel including a house is assessed at \$235,000 (house value is \$175,000 and land value is \$60,000) as of January 1, 2020. The FY21 tax rate is \$11.00/\$1000. During FY20, the house is torn down and a larger, modern house is built for which an occupancy permit is issued on April 1, 2020. The new house has a value of \$200,000. As a result, the increased value of the improvement is \$200,000 - \$175,000 = \$25,000. Because the increased value of the improvement (\$25,000) is

not more than 50% of the value of the improvement on the January 1, 2020 assessment date (\$87,500), a supplemental assessment for FY21 is not allowed.

a. Tax rate FY21	\$11/1000
b. Value of improvements on assessment date Jan 1, 2020	\$175,000
c. Value of improvement after new construction and occupancy permit issued April 1, 2020	\$200,000
d. Increased value of improvement	\$25,000
e. 50% value of improvements on Jan 1 assessment date	\$87,500
e. Increased value improvements > 50% of value improvements on Jan 1 assessment date?	No, \$25,000 is < \$87,500
h. FY21 supplemental assessment calculation	N/A

Example 7

A parcel including a house is assessed at \$250,000 (house value is \$175,000 and land value is \$75,000) as of January 1, 2020. The FY21 tax rate is \$11.00/\$1000. During FY20, the house is torn down and a larger, modern house is built. An occupancy permit for the new house is issued on April 1, 2020. The new house has a value of \$350,000. As a result, the increased value of the improvement is $\$350,000 - \$175,000 = \$175,000$. Because the increased value of the improvement (\$175,000) is more than 50% of the value of the improvement on the January 1 assessment date (\$87,500), a supplemental assessment is allowed.

a. Tax rate FY21	\$11/1000
b. Value of improvements on assessment date Jan 1, 2020	\$175,000
c. Value of improvement after new construction and occupancy permit issued April 1, 2020	\$350,000
d. Increased value of improvement	\$175,000
e. 50% value of improvements on Jan 1 assessment date	\$87,500
e. Increased value improvements > 50% value improvements on Jan 1 assessment date?	Yes, \$175,000 is > \$87,500
h. FY21 supplemental assessment calculation	$\$175,000[d] \times \$11.00/1000[a] = \$1925$

Example 8

A parcel including a house is assessed at \$250,000 (house value is \$175,000 and land value is \$75,000) as of January 1, 2020. The FY21 tax rate is \$11.00/\$1000. During FY20, the house is torn down and a larger, modern house is built. An occupancy permit for the new house is issued on April 1, 2020. The new house has a value of \$262,500. As a result, the increased value of the improvement is $\$262,500 - \$175,000 = \$87,500$. Because the increased value of the improvement (\$87,500) is not more than 50% of the value of the improvement on the January 1 assessment date (\$87,500), a supplemental assessment is not allowed.

a. Tax rate FY21	\$11/1000
b. Value of improvements on assessment date Jan 1, 2020	\$175,000
c. Value of improvement after new construction and occupancy permit issued April 1, 2020	\$262,500
d. Increased value of improvement	\$87,500
e. 50% value of improvements on Jan 1 assessment date	\$87,500
e. Increased value improvements > 50% value improvements on Jan 1 assessment date?	No, \$87,500 is not > \$87,500
h. FY21 supplemental assessment calculation	N/A

3. Person Assessed

Supplemental tax assessments are made to the person(s) assessed the regular real estate tax on the parcel for the fiscal year of the supplemental assessment, *i.e.*, the record owner as of the applicable January 1 assessment date. Therefore, if a parcel subject to both a pro rata and pro forma supplemental tax assessment has had a change in ownership, the assessments could be made to different owners depending on when the transfer occurred.

4. Usage Classification and Tax Rate

In communities using multiple tax rates, the usage classification of properties on January 1 of the fiscal year of the supplemental tax assessment will generally govern the tax rate to apply. However, if the construction activity results in a change in classification, the assessors should use the tax rate that would have applied if the construction had been completed by January 1.

5. Commitment and Warrant

a. Form and Content

The assessors must commit the supplemental tax assessments, with a warrant, to the collector. The commitment should be in the same form as the regular real estate commitment, but captioned to indicate it is for supplemental tax assessments under the provisions of [G.L. c. 59, § 2D](#), and should contain the same information. This includes, at a minimum, (1) the name of the assessed owner of the parcel as of January 1, (2) property identification, (3) the amount of the supplemental assessment and (4) the amount of each installment payment.

Separate commitments must be made for each year's supplemental assessments, whether pro rata or pro forma.

Regular real estate tax warrants may also be used if modified to indicate that they are for supplemental tax assessments. [G.L. c. 59, § 2D](#).

b. Deadline

There is no statutory deadline for committing the supplemental tax assessments, unlike omitted and revised assessments made under [G.L. c. 59 §§ 75 and 76](#). Wherever possible, however, assessors should have all supplemental assessments for a particular fiscal year committed no later than the date of the actual commitment for the year the improvement becomes subject to regular real estate taxes.

Assessors should make a first commitment of supplemental assessments contemporaneously with, or shortly after, the actual tax commitment each fiscal year. That first commitment should include all (1) pro rata assessments for that year due to occupancy permits issued before the tax rate was set, and (2) pro forma assessments for the year due to permits issued between January 1 and June 30 of the previous fiscal year.

Thereafter, assessors should establish a monthly or other appropriate schedule for committing pro rata supplemental assessments triggered by occupancy permits issued after the tax rate is set. This will ensure the assessments are made in a timely fashion after the permit is issued.

III. COLLECTION OF ASSESSMENTS

The provisions of law regarding the procedures for issuing, mailing, paying and collecting property tax bills generally apply to supplemental tax assessments.

A. Bill Form and Content

After receiving the commitment, the collector will issue bills for the supplemental tax assessments. If a property is subject to a pro rata and pro forma supplemental assessment, separate bills must be issued for each year's assessment. The bill should show just the additional amount assessed. Regular real estate tax bills issued for the applicable year may be used to bill the supplemental assessment, but the bill or an enclosure should explain that the bill is for an assessment. [G.L. c. 59, § 2D](#).

B. Due Date

Supplemental tax assessments for a fiscal year are due at the same time and in the same number of installments as regular real estate assessments for that year. Therefore, if a

parcel is subject to a pro rata and pro forma assessment, the assessments will be due at different times depending on when the bill for each fiscal year's assessment is mailed.

C. Collection

The same remedies available to the collector for collection of regular real estate taxes are available for collection of supplemental assessments, including a tax taking. The lien for the supplemental tax assessment arises as of the January 1 assessment date of the fiscal year the assessment relates to and terminates the same time as that year's real estate tax lien.

Collectors must list only those supplemental assessments actually committed on municipal lien certificates. However, a standard notation should be pre-printed on all municipal lien certificates that real estate parcels in the community are subject to supplemental tax assessments. [G.L. c. 59, § 2D](#).

IV. BUDGET AND ACCOUNTING PROCEDURES

A. Revenue

Revenue from supplemental tax assessments belongs to the general fund and is not part of the tax levy limited by Proposition 2½. The amount estimated to be received during the fiscal year should be itemized under the "Miscellaneous Non-recurring" line of the Recapitulation Sheet. Receipts in excess of that amount will close to surplus revenue at the end of the year and become part of the community's free cash upon certification by the Director of Accounts.

B. Tax Base Growth

The calculation of tax base growth for purposes of increasing the levy limit under Proposition 2½ is not affected. Once the improvements are subject to regular real estate taxes in the next fiscal year, they become part of that year's tax base growth.

C. Municipal Revenue Growth Factor

Revenue from supplemental tax assessments will not be used to calculate the municipal revenue factor. Revenue from the improvements will continue to be included in the calculation when they are subject to regular taxes and become part of the levy limit as growth.

V. ABATEMENT PROCESS

A. Abatement of Supplemental Assessments

The taxpayer may contest a supplemental tax assessment by filing an application for abatement with the assessors. The application is due the same day payment of the first installment of the supplemental assessment for that fiscal year is due. The assessors' decision on the application may be appealed in the same manner and by the same deadline as a decision on an application for an abatement of a regular property tax assessment.

Regular abatement application forms (State Tax Form 128) may be used by taxpayers to apply for an abatement of a supplemental tax assessment. An abatement should be processed in the same manner as an abatement of a regular real estate tax and charged to the overlay account for the fiscal year of the assessment. Forms used in processing any abatement, denial or deemed denial should be modified to indicate that the action relates to a supplemental tax assessment. [G.L. c. 59, § 2D](#).

B. Abatements on Damaged Properties

1. Calculation of Abatement

The assessors must grant a pro rata abatement of the regular real estate tax assessed on a parcel whenever damage occurs due to fire or natural disaster after the applicable assessment date and a loss in value of more than 50 percent, excluding the value of the land, results. The abatement is to be calculated in the same manner as a pro rata supplemental assessment, but on the amount of the decreased value instead, and then pro-rated for the balance of the fiscal year remaining after the fire or natural disaster.

If the damage occurs between January 1 and June 30, a pro forma abatement of the next year's real estate tax on the parcel must also be given, unless the community has adopted Chapter 653, § 40 of the Acts of 1989, where the damage would already be reflected in the following year's regular property tax assessment.

2. Abatement Procedure and Deadline

The abatement may be made on the assessors' own motion or upon written application by the taxpayer within one year following the fire or natural disaster. Before granting an abatement on their own motion, however, assessors with knowledge of damage should first try to obtain an application from the taxpayer. This will establish a timetable for the assessors' action and any taxpayer appeal. An application should be processed in the same manner and using the same forms as regular property tax abatements. However, the assessors' records should reflect that the abatement is authorized by [G.L. C. 59, § 2D](#). All abatements granted are charged to the overlay.

3. Reconstruction or Repair of Property

A rebuilt or repaired property is subject to a supplemental tax assessment if an occupancy permit is issued and the value of the parcel as improved by the new construction is more than 50 percent higher than the assessed valuation of the parcel, excluding the value of the land, as abated.