



# Rent Control Raises Taxes on Homeowners

by Jared Walczak



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## Introduction

**For homeowners, the proposed rent control ballot measure could easily seem like someone else's battle: important to renters and those who own rental properties, but not terribly relevant to those who own their own homes. This belief is perfectly understandable. It is also mistaken.**

Rent control drives up property taxes for owner-occupied housing, forcing homeowners to bear a larger share of the local tax burden. *Under statewide averages, property tax burdens on the median single-family home would increase by \$312 per year under rent control, as tax burdens shift away from rental properties and onto other property, including owner-occupied residential property.*

Had these effects been present for the past ten years, the median home's cumulative property tax burden would have been almost \$2,600 higher over the past decade. Assuming that property tax burdens continue to increase at historic rates, over the course of paying off a 30-year mortgage, a new homeowner's additional tax liability would amount to about \$18,700. Effects vary substantially by jurisdiction, based on average house prices, the rental share of residential property value, the commercial and industrial property mix, and other factors. Tax burdens on the average home would rise by an estimated \$1,117 in Boston, \$889 in Amherst, \$570 in Lowell, and \$144 in Holden.

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Everywhere it has been imposed, rent control reduces the value of controlled properties. This is not just a prediction about properties declining in quality under rent control, though there is strong empirical evidence for this effect. It is also a simple mathematical reality: the very methodology assessors use to determine the value of rental properties, called income capitalization, captures reduced rental returns and adjusts the property's assessed value accordingly. And when less property tax is collected from apartment complexes and other rental properties, homeowners pay more.

This paper draws on empirical evidence from rent control experiments in Portland, Maine; St. Paul, Minnesota; San Francisco, California; and even from Massachusetts itself, using a study of Cambridge, Massachusetts before voters repealed a prior rent control regime that was less restrictive than the one proposed now. It explains the mechanisms by which rent control raises homeowners' property taxes and provides aggregate and municipal-level estimates of those increases.

Under the proposed rent control regime, statewide residential rates would rise by 5.9 percent. The actual impact on taxpayers varies, particularly since homeowners' assessed values can fall, at least initially. A home subject to statewide average shifts in assessed value and tax rates would see a 4.34 percent increase in tax liability, while the weighted average increase across all owner-occupied residences (accounting for different housing values across jurisdictions) is 3.32 percent.<sup>1</sup> With reasonable assumptions about long-run valuation increases for privately owned residences under rent-control-induced housing scarcity, the weighted-average homeowner tax increase rises to 3.62 percent.

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## Outline of the Effect of Rent Control on Homeowners

The process by which rent control increases homeowners' property taxes is detailed and empirically grounded later, but the basic process is as follows:

- Rent control reduces future returns to rental property, mechanically reducing those properties' assessed values.
- Rent control also reduces maintenance and investment in rental properties, further reducing their value and desirability, with spillover effects that reduce the value of other properties in the community as well.
- Both rental and owner-occupied properties decline in value, but rental property values decline far more precipitously. As a result, they represent a smaller share of the tax base while owner-occupied property's share increases even if those properties are also less valuable than before.

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<sup>1</sup> The weighted average differs from the effect on a sample home because it accounts for interaction between local mill levies and property value shifts across different municipalities. While a sample home uses a single statewide average rate and value change, the weighted average reflects the distribution of the actual tax base. When municipalities with lower rates or higher concentrations of owner-occupied property experience smaller declines in value, the aggregate statewide increase in tax liability is lower than indicated by a calculation based on statewide averages.

- Unless municipalities respond with budget cuts, mill levies rise automatically to maintain the level of revenue necessary to fund the budget. These increases are not constrained by Proposition 2½ (since the levy increases are intended only to maintain current collection levels), resulting in higher taxes on homeowners' larger share of the tax base.
- Initially, some rental properties will convert to condominiums and other forms of owner-occupancy, but over time, the rent control regime will create additional housing scarcity since it discourages investment in additional units. This scarcity will increase the assessed value of non-controlled (e.g., owner-occupied) residential property relative to controlled properties, further increasing their tax burden.

Under rent control, therefore, homeowners — despite not being directly impacted by rent control — pay higher property taxes than they do now, under assessed values that are much higher relative to rental properties than currently, though which may still be depressed in absolute terms because of spillover effects of neighborhood deterioration due to underinvestment in the maintenance of rental properties.

Rent control backfires wherever it is tried. It exacerbates housing shortages, reduces housing quality, and harms neighborhoods. Studies consistently find, moreover, that most of the benefits of lower rent accrue to high-income renters, not the lower-income renters such policies are intended to benefit.<sup>2</sup>

Many of these unintended consequences of rent control have been copiously documented. But the effect on homeowners' property tax burdens is underappreciated, despite its importance for the 62 percent of Massachusetts households that own their own homes.<sup>3</sup>

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<sup>2</sup> As discussed in more detail later, lower-income rental properties tend to be allowed to deteriorate faster, and higher earners are in a better position to remain in rent-controlled units for longer periods of time.

<sup>3</sup> U.S. Census Bureau, "Homeownership Rate for Massachusetts," March 24, 2026, retrieved from FRED, <https://fred.stlouisfed.org/series/MAHOWN>.

## The Massachusetts Rent Control Proposal

Massachusetts is no stranger to rent control. The Commonwealth has implemented rent control on three occasions, with voters repealing the final rent control law by ballot initiative in 1994.<sup>4</sup> Unfortunately for Massachusetts, this final experiment with rent control has become a literal textbook case of the unintended but entirely predictable consequences of rent control: fewer rental units, urban decay, housing shortages, and benefits that largely flowed to the most affluent tenants.

But while rent control did not work for Massachusetts the three previous times it has been tried on a lesser scale, a potential 2026 ballot measure would reimpose it statewide. Under the initiative, annual rent increases would be limited to the lesser of inflation or 5 percent, and rent would not reset with a change in tenancy. New dwelling units would be exempt for the first ten years.<sup>5</sup>

This is more stringent than most existing rent control regimes and prior rent control systems in Massachusetts. It applies statewide, with no ability for municipalities to opt out. It lacks any vacancy decontrol mechanism, locking in 2026 rental prices in perpetuity for existing properties. And the cap is stringent, disallowing any increase above inflation and forcing reductions in real rent during periods of high inflation.



## Reductions in Assessed Value

Rent control shrinks rental property values on local tax rolls. Under the Massachusetts proposal, which prohibits any rate increase above inflation, rental income will erode quickly and can easily turn into losses. The cost of maintaining rental units typically outpaces inflation. Construction, building materials, plumbing and electrical work, HVAC equipment, roofing, property insurance premiums, and other costs of maintaining housing have risen at rates well above inflation for decades.

Capping rent increases at no more than (and in some cases less than) inflation reduces owners' year-over-year income, leading to deferred maintenance and deterioration of properties they can no longer afford to maintain. Where possible, owners may try to convert rental housing into condominiums, remove units from the rental market, demolish and rebuild, or even abandon properties. New investment in rental property dries up, because even if units are profitable in the short term (and are exempt from rent control for the first ten years), owners know that the downward ratchet is coming.

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4 Secretary of the Commonwealth of Massachusetts, "Massachusetts Statewide Ballot Measures: 1919-Present," <https://www.sec.state.ma.us/divisions/elections/research-and-statistics/balmresults.htm>.

5 "An Initiative Petition to Protect Tenants by Limiting Rent Increases," Massachusetts Initiative Petition, <https://www.mass.gov/doc/25-21-an-initiative-petition-to-protect-tenants-by-limiting-rent-increases/download>.

The remaining rental housing stock after rent control is older, less well-maintained, and smaller than it would be without rent control.

**This reduces assessed values of rental properties in three ways.**

First, it directly reduces values through lower expected returns. Massachusetts, like most states, uses an income capitalization approach to assess apartment buildings. This is essentially a measure of the present value of the property's income stream, and for obvious reasons, that value is reduced by rent control. Net operating income is lower, while the capitalization rate, which reflects investment risk, rises. Rent-controlled properties are immediately worth less for purely mathematical reasons.

Second, reduced operating income leads to deterioration, further reducing the property's value. And finally, the imposition of rent control on all rental properties has spillover effects, producing blight and reducing the desirability of communities with a high concentration of rental units, depressing values still further — this time for all nearby properties, not just rental properties. Each of these effects is documented by studies of rent control elsewhere.

**Portland, Maine**

In Portland, Maine, where voters approved rent control in 2020, an analysis was conducted concurrent with a citywide revaluation in 2025. The study found that, only a few years in, rent control had reduced total property valuation by 3.2 to 5.4 percent, and that the reduction was driven almost entirely by lower assessed values of rent-controlled properties. The study estimated that this would result in a tax shift that would cost the median homeowner an additional \$224 to \$379 per year in higher property taxes.<sup>6</sup>

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This makes intuitive sense: rent control reduced the value of income-producing properties by cutting into their income stream, but it is still too early for there to be many spillover effects. Deferred maintenance may have begun; certainly, landlords now have very little incentive to update properties. But the sort of deterioration of housing stock that spills over into broader neighborhood decay does not happen that quickly. This is likely why the study found no effect on the value of owner-occupied property, and it provides a good model of the short-run effect: rental property values decline, owner-occupied property values are unaffected, and thus owner-occupied properties bear a larger share of the property tax burden.

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<sup>6</sup> Wallace Economic Advisors, "Evaluating the Impact of Rent Control on Property Tax Burdens in Portland," Spring 2025, [https://www.thegreaterportlandboardofrealtors.com/assets/pdf/Evaluating+the+Impact+of+Rent+Control+on+Property+Tax+Burdens+in+Portland+\\_Final/](https://www.thegreaterportlandboardofrealtors.com/assets/pdf/Evaluating+the+Impact+of+Rent+Control+on+Property+Tax+Burdens+in+Portland+_Final/).

## St. Paul, Minnesota

A study of St. Paul, Minnesota after voters approved rent control at the ballot in November 2021 found that, within three months, residential property values across the city fell precipitously. Rental properties lost about 12 percent of their value almost overnight, while owner-occupied properties saw about a 6 percent decline in transaction prices after the measure's enactment.<sup>7</sup>

The study's authors developed a pricing model that attributed two-thirds of the value loss to direct income capitalization effects for controlled rental properties and one-third to neighborhood spillovers that harmed the housing market as a whole. Notably, they found that the spillover effect on prices of owner-occupied housing was immediate, whereas the Portland study did not, perhaps reflecting differences in the composition of housing or the colocation of rental and owner-occupied property.

The St. Paul study also found, unsurprisingly, that interest in constructing new rental housing declined. *Multifamily housing permits fell almost 79 percent in the first quarter of 2022 (immediately after the law went into effect) compared to the prior year, while permits skyrocketed in neighboring Minneapolis, which did not adopt a rent control ordinance.*<sup>8</sup>

## San Francisco, California

In San Francisco, after rent control was expanded in 1994 to cover buildings with only a few units, economists found that owners of properties newly subject to rent control reduced rental housing supply by about 15 percent, by converting properties into condominiums, selling rental homes to owner-occupants, or redeveloping buildings to avoid the rent control regulations. They further concluded that this contraction in rental supply for rent-controlled units would increase market rents for units still not subject to rent control.<sup>9</sup>

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7 Kenneth R. Ahern and Marco Giacoletti, "Robbing Peter to Pay Paul? The Redistribution of Wealth Caused by Rent Control," NBER Working Paper No. 30083 (May 2022), [https://www.nber.org/system/files/working\\_papers/w30083/w30083.pdf](https://www.nber.org/system/files/working_papers/w30083/w30083.pdf).

8 Id.

9 Rebecca Diamond, Tim McQuade, and Franklin Qian, "The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco," Am. Econ. Rev. 109(9): 3365-94 (2019), <https://www.aeaweb.org/articles?id=10.1257/aer.20181289>.

## Cambridge, Massachusetts

Closer to home, a study of Cambridge, Massachusetts before and after rent control found that rent-controlled property values were discounted by 45 to 50 percent relative to comparable never-controlled properties in the same neighborhood. Within the first decade of repeal, their assessed values increased by 18 to 25 percent relative to owner-occupied properties, a rapid (and, at the time, still ongoing) catch-up process. Rent control severely depressed rental properties values, both at sale and on property tax rolls.<sup>10</sup>

Each of these studies, and others like them, explored rent control in a particular city or metropolitan area. Rent control has almost always been a local phenomenon, imposed in select cities. The Massachusetts ballot initiative, by contrast, would impose rent control statewide. Only three states currently have statewide rent control, and all allow significant annual rent increases above inflation: 5 percent plus inflation in California and 7 percent plus inflation in Oregon and Washington.<sup>11</sup> All three are also relatively recent: Oregon's, adopted in 2019, is the oldest, and the first modern system of statewide rent control. Massachusetts' proposal would be the strictest statewide rent control regime in the nation, by a considerable margin.

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One implication of a strict statewide system, as proposed in Massachusetts, is significant regional variation in effects. Income capitalization is mechanical. All rental properties' income-earning potential is reduced by rent control, leading to a reduction in the property's assessed value. Over time, reduced investment in rent-controlled properties is virtually as certain, further depressing their value. Spillover effects, however, are significantly dependent on rental concentration.

A neighborhood with many poorly maintained apartment complexes will be harmed more than a neighborhood with just a smattering of rental units compared to owner-occupied property. And homes further away from rental properties are less likely to be impacted by negative spillovers.

In these scenarios, rental property values decline while home values are largely unaffected. In other scenarios, both rental properties and owner-occupied properties lose value. But in all cases, rental properties lose more value, which means that owner-occupied property's share of the tax base expands.

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10 David H. Autor, Christopher J. Palmer, and Parag A. Pathak, "Housing Market Spillovers: Evidence from the End of Rent Control in Cambridge, Massachusetts," *Journal of Political Economy* 122(3): 661–717 (2014), <https://www.journals.uchicago.edu/doi/10.1086/675536>.

11 All three have absolute caps of 10 percent per year, inclusive of inflation.

## Effects on Homeowners' Property Taxes

Massachusetts recognizes four classes of real property: residential, commercial, industrial, and open space. All residential property shares a class, whether that property is a single-family home, a condominium, or an apartment complex.<sup>12</sup>

With the ability to shift taxes onto commercial and industrial property constrained, and with single-family homes and large apartment complexes sharing a class, when the assessed value of rental properties falls because of rent control, the loss shifts within the residential class, increasing the relative value of, and thus the tax burdens on, owner-occupied property.

In Massachusetts, local officials do not vote on property tax rates directly. It is, instead, a budget-driven process. Municipal authorities adopt a budget and estimate non-property tax revenues. The property tax levy is set at whatever amount is necessary to fund the remainder of the budget, subject to the limitations of Proposition 2½, the Commonwealth's property tax limitation law.

The tax rate is then calculated based on the total required levy and the taxable assessed value of property within the jurisdiction. If assessed values decline, the rate needed to raise the same levy increases. If values rise, the rate needed to raise the same levy falls. It is largely an output of the budget and assessment process, not a separate policy decision.

Massachusetts does allow split tax rates by property class. Municipalities are permitted to shift some of the levy from residential property to commercial, industrial, and tangible personal property. These shifts are subject to state-imposed limits. A residential factor is set, which must typically be at least 65 percent of its full-and-fair cash value share of total assessed value in the jurisdiction, though in some cases may be as low as 50 percent, when necessary to avoid residential property bearing a larger share of the tax levy than in the prior year, or the year before the residential factor was adopted. The increased share for commercial, industrial, and tangible personal property cannot exceed 150 percent (or, in some cases, 175 percent) of their aggregate share of total assessed value.<sup>13</sup>

If, for instance, a municipality had \$50 million in assessed value across all classes, and \$40 million of it came from residential property (80 percent), the lowest permissible residential factor under ordinary circumstances would be 87.5 percent, meaning

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12 M.G.L.A. 59 § 2A.

13 M.G.L.A. 58 § 1A.

that residential property would represent 80 percent of assessed value but only pay 70 percent of property taxes (80 percent x 87.5 percent = 70 percent). It could not go lower than this, despite the 65 percent share floor for residential, because any further reduction would cause the commercial, industrial, and personal property share to exceed 150 percent of its fair market value.

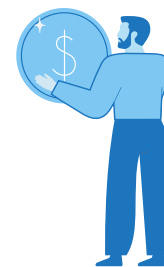
This matters under rent control, particularly since all residential dwellings, from high-rise apartment complexes to single-family homes, share the same residential class. If the value of rental units declines while owner-occupied property values remain the same (or decline by a lesser amount), then owner-occupied property will owe more within the residential class. Their property tax liability will rise relative to rental property tax liability. Even if local governments wanted to respond by shifting more of the tax burden onto commercial and industrial property (which may be economically undesirable), their ability to do so is limited.

Proposition 2½ imposes two constraints on the tax levy: a levy ceiling (the absolute cap) of 2.5 percent of the total full and fair cash value of all taxable property in the community and a levy limit (the annual cap) under which the tax levy cannot increase by more than 2.5 percent over the prior year's levy limit. The levy ceiling cannot be exceeded, whereas the levy limit is subject to voter override.<sup>14</sup>

At present, no municipalities are particularly close to the levy ceiling. Holyoke and Pittsfield are closest at 2.18 and 2.11 percent, respectively, with Wendell and Westhampton rounding out the short list of jurisdictions with aggregate rates above 2 percent. Even with significant reductions in rental value, offsetting rate increases are unlikely to reach the cap anywhere but Holyoke, and even there, the assessed value of rental property would have to decline by more than a third. The levy ceiling is unlikely to provide much protection to homeowners.

Under the levy cap, moreover, local jurisdictions are free to set a total levy up to 2.5 percent higher than the prior year's levy, plus the value of new construction. If the value of rental property declines, mill levies can rise significantly, increasing residential property tax burdens without exceeding the 2.5 percent levy limit.

The degree to which homeowners' tax burdens increase as rental property values decline depends on (1) the intensity of that decline relative to any change in the value of owner-occupied housing, (2) the non-residential share of a municipality's total property tax base, and (3) the degree of rent-control-induced increased demand for non-rental housing that drives up the assessed value of owner-occupied homes.



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14 M.G.L.A. 59 § 21C.

Community spillover effects are most likely to occur in areas with higher rental concentrations. If much of a jurisdiction's owner-occupied housing is located near rental units, it may also experience sizable valuation reductions, albeit to a lesser degree. With greater distance, residential property values are less likely to decline. Assuming the total levy is maintained, there should not be reductions in value due to reduced government spending, but if declining neighborhood quality strains that budget, there may also be an effect from lower-quality government services.

**Homeowners in suburban and rural communities will experience a greater increase in tax burdens per controlled rental unit than homeowners in urban areas, since their jurisdictions typically have smaller shares of commercial and industrial property onto which burdens can shift, but the concentration of rental housing in urban areas means that homeowners in larger cities will bear the greatest overall increases in tax liability.**

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In Portland, Maine, economists calculated that 63 percent of the tax burden shift from rent control would be borne by single-family homes and condominiums, increasing property taxes on the median home by somewhere between \$224 to \$379 per year. Portland, notably, is a low-density city; if it were a Massachusetts municipality, it would rank about 30th in population density.<sup>15</sup>

A recent study from the Center for State Policy Analysis at Tufts University estimated that under rent control, Massachusetts' residential property tax base (rental and owner-occupied combined) would decline by 6–9 percent almost immediately, and after a decade, property values would decrease by nearly 14 percent. According to the authors, this would require municipalities to adopt long-term rate increases ranging from 8 to 20 percent, with an average statewide increase of 10.2 percent.<sup>16</sup>

These findings provide a backdrop for this publication's analysis, though our calculations are grounded in the Cambridge study, for which the short-term Portland findings provide useful validation.

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15 Wallace Economic Partners.

16 Center for State Policy Analysis at Tufts University, "Untold Threat: Rent Control Ballot Question Will Imperil Municipal Budgets," (commissioned by the Greater Boston Real Estate Board), March 2026, <https://mahousingsolutions.com/wp-content/uploads/2026/03/GBREB-2026-Rent-Control-Study-FINAL.pdf>.

## Quantifying Homeowners' Higher Property Tax Burdens

Over time, we estimate that rent control will reduce the assessed value of owner-occupied property by 1.47 percent while increasing tax rates by 5.90 percent, yielding a weighted-average 3.32 percent increase in homeowners' tax bills even though their property is worth less. This average reflects the composition of properties and exposures across the Commonwealth. If the median single-family home, valued at \$661,590, were subject to statewide average valuation declines and rate increases, it would experience a 4.34 percent increase in tax liability despite the home's lower market value, yielding a \$312 a year tax increase.

These shifts are driven by a 30.8 percent long-term reduction in rental property value, about 80 percent of which derives from income capitalization effects, with the remainder arising from localized spillovers. This yields a 25.3 percent reduction in property tax collections from rental property, which must be shifted to owner-occupied residential property and other classes of property.

The table below shows changes in assessed value and tax burden for the median home and homes at other initial values, all against statewide average initial and post-rent control residential property tax rates. The median home price in Massachusetts (\$661,590) is included.

**TABLE 1 | Rent Control Increases Homeowners' Tax Bills**  
 Tax Burden Change by Home Value Under Statewide Average Rate Changes

Assessed Value		Tax Burden		
INITIAL	NEW	INITIAL	NEW	INCREASE
\$200,000	\$197,053	\$2,172	\$2,266	<b>\$94</b>
\$500,000	\$492,633	\$5,429	\$5,665	<b>\$236</b>
\$661,590	\$651,842	\$7,184	\$7,496	<b>\$312</b>
\$800,000	\$788,213	\$8,687	\$9,064	<b>\$377</b>
\$1,000,000	\$985,266	\$10,859	\$11,330	<b>\$471</b>
\$1,500,000	\$1,477,899	\$16,288	\$16,995	<b>\$707</b>

Tax burden changes vary by municipality. They decline in Cambridge, where estimated spillover reductions in the assessed value of owner-occupied property are high enough that property tax burdens decline for homeowners as well, shifting further onto commercial and industrial property. They rise in all other jurisdictions to varying degrees, with tax burdens rising by double digits in four municipalities (Rowe, Florida, Lawrence, and Malden).

The following table shows changes in homeowners’ tax burdens across the ten largest cities in Massachusetts. All but Cambridge show substantial increases in tax burdens, led by Fall River and Lowell, with increases of 9.7 and 9.6 percent, respectively.

**TABLE 2 | Change in Owner-Occupied Property Tax Burden**  
**Ten Largest Cities**

City	Homeowner Tax Burden Change
Boston	6.5%
Worcester	6.7%
Springfield	5.9%
Cambridge	-4.9%
Lowell	9.6%
Brockton	5.0%
Quincy	7.9%
Lynn	7.3%
New Bedford	8.2%
Fall River	9.7%

Effects are larger in urban areas due to the greater concentration of rental housing, which both increases the effect size and amplifies the negative spillover effect on rental housing itself. This spillover also applies to owner-occupied property, but often in a more attenuated fashion.

Rural and suburban communities typically have smaller commercial and industrial tax bases, making reductions in the residential tax base more costly for homeowners dollar for dollar. However, as noted, these areas typically have far lower concentrations of rental housing, meaning that (1) the potential scope of losses as a percentage of residential property is lower and (2) rental property values will decline from income capitalization effects but will not decline as precipitously from spillover effects, because lower concentrations of under-maintained controlled properties produce less neighborhood decline.

**TABLE 3 | Aggregate Tax Increases by Municipal Classification & Tax Class**

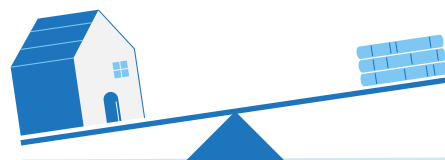
Classification	Owned Housing	Commercial	Industrial	Personal
Statewide	3.3%	6.4%	5.2%	5.6%
Urban	5.6%	7.8%	7.6%	7.6%
Suburban	2.3%	2.5%	2.2%	2.5%
Rural	1.8%	1.9%	-0.2%	1.0%

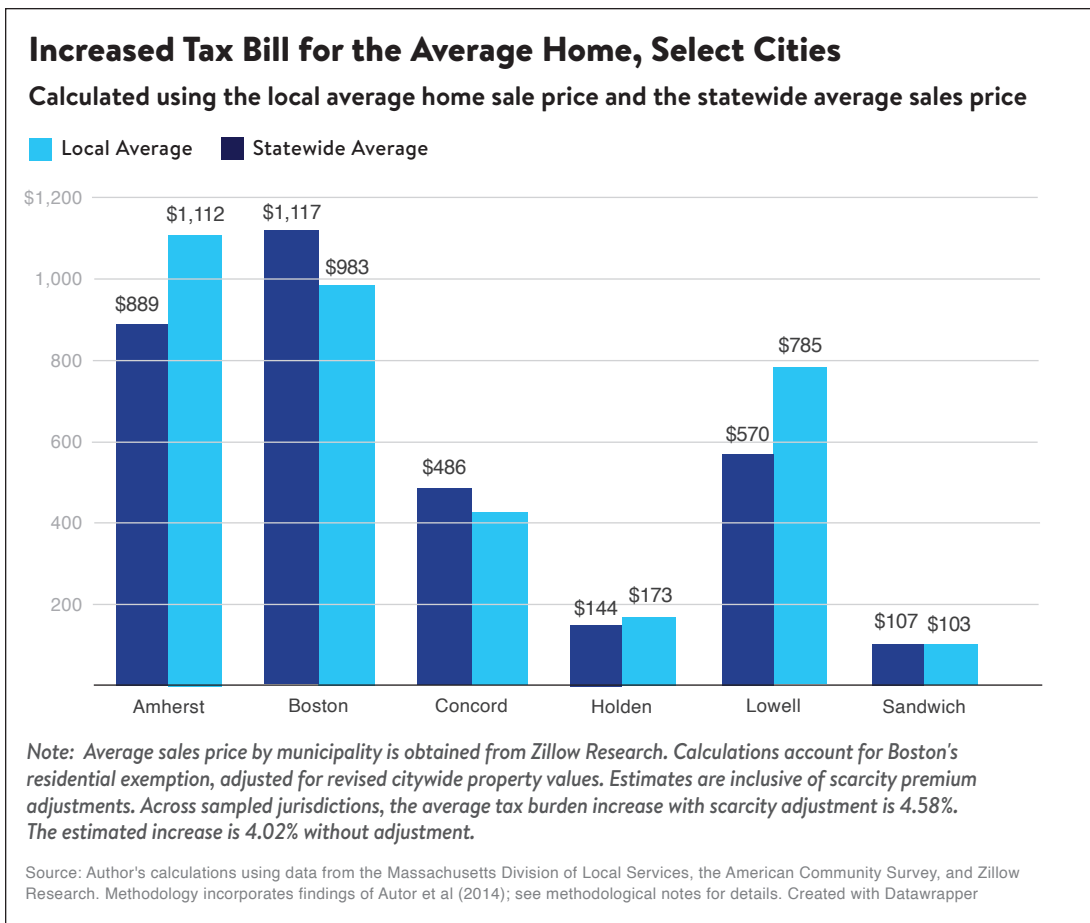
In time, rent control can reduce the overall housing stock enough to drive an appreciation in the price of uncontrolled properties, most of which are owner-occupied homes and condominiums. This will ultimately increase assessed values relative to adjustments for negative rent control spillovers. Those higher assessed values will be subject to higher rates due to the erosion of the rental base, further exacerbating homeowners’ tax burdens.

While existing research is insufficient to permit high-confidence estimates of this effect for statewide rent control as proposed in Massachusetts, a simple model, detailed in the methodology section, increases the long-run Massachusetts homeowner tax increase from 3.32 to 3.62 percent. Overall rate increases on residential property would be smaller, but owner-occupied property would constitute an even larger share of the tax base against which those mill levies are applied.

The following chart illustrates how these increases translate into higher tax bills in six jurisdictions representing different parts of the Commonwealth. These calculations include the housing scarcity adjustment, which accounts for about 12 percent of the effect. An average home in Boston would see a long-run tax increase of \$1,117, and even in a more affordable Gateway City like Lowell, the average home’s tax bill would increase by \$570.

To facilitate comparisons, each jurisdiction’s tax bill is calculated based on a locality-specific average home sale price and the statewide average home price of \$661,590. Unlike our broader modeling, these calculations account for the residential exemption, which applies only to Boston among the cities in the sample.





## Distributional Effects of Rent Control

Rent control's effect on the value and tax burden of owner-occupied housing is not its most significant effect, but it is worthy of analysis because it is often overlooked, and it represents an important mechanism by which rent control regimes affect those who neither rent nor own rental units. It is, however, worth briefly acknowledging the other, larger implications of rent control.

Everywhere it has been tried, rent control has reduced the stock of rental housing and degraded its quality. Studies have also demonstrated that rent control often fails to benefit those it is ostensibly intended to serve. An analysis of Massachusetts' prior experience with rent control concluded that people of color occupied only 12 percent of rent-controlled units, despite representing 24 percent of residents in rent-controlled cities, and that the benefits of rent control disproportionately flowed to higher-income tenants.<sup>17</sup>

17 David P. Sims, "Out of Control: What Can We Learn from the End of Massachusetts Rent Control?," *Journal of Urban Economics* 61(1): 129–151 (January 2007), <https://www.sciencedirect.com/science/article/abs/pii/S0094119006000635>.

This may seem counterintuitive, but it should not be altogether surprising. Broadly speaking, rent control favors higher-income renters in higher-value properties in nicer areas, which are less subject to deterioration. Rent control also explicitly favors those who can remain put. Higher earners are more likely to have stable jobs, whereas lower-income households may need to move to pursue opportunities, thereby losing the benefit of a rent-controlled apartment.

The San Francisco study found that expanding rent control to buildings with only a few units reduced the likelihood that occupants would move by 20 percent. This can lock low earners in place, making it harder for them to move for greater opportunity. When they do move despite this disincentive, the remaining tenant pool becomes more affluent.<sup>18</sup>

This study did find a benefit for racial minorities compared to overall population, since rent control has an incumbency effect and the initial tenant population was less white than the city as a whole. However, even when rent control favors those already in rental units (which may have a higher minority concentration), within that concentration, it favors non-minorities and high earners, and these effects increase over time.

In St. Paul, the greatest benefits went to higher-income renters. In areas with tenants above the median renter income and landlords below the median owner income, valuation loss was only about 10 percent of what it was in areas with low tenant income and higher owner income. The economists studying this effect viewed this as a proxy for transfers from owners to renters, indicating that relatively higher earners benefited the most.<sup>19</sup>

## Conclusion

Massachusetts voters were right to repeal rent control more than three decades ago. For more recent evidence of rent control's failures, Bay State residents need only look to Portland, Maine, where the policy is already eroding property values, or to St. Paul, Minnesota, where lawmakers have already adjusted rent control provisions multiple times in the span of a few years in response to its effects on housing.

If adopted, rent control will reduce the quantity and quality of rental housing, cause its value to plummet, and shift tax burdens onto all other property, including owner-occupied residential property. Homeowners have many good reasons to oppose rent control, including what it will do to communities and to their friends and family members who rent and deserve well-maintained housing. But there is also an effect that bears directly on their own bottom line: rent control is a tax increase on homeowners.

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18 Diamond et al.

19 Ahern and Giacoletti.

## Methodology

This paper estimates the long-run effects of rent control once property values have adjusted, assuming that municipalities attempt to raise the same amount of property tax revenue from a smaller base. It does not attempt to model year-by-year adjustments. Default assumptions of the direct effects (lower net operating income) and indirect effects (reduced maintenance and investment, and changes in neighborhood desirability) of rent control on rental housing follow Autor, Palmer, and Pathak (2014).

Each municipality's current rates and assessed values by class are sourced from the Massachusetts Division of Local Services datasets for 2026,<sup>20</sup> and the rental share of residential property value is estimated using American Community Survey (ACS) data on renter-occupied units by structure type, along with aggregate owner-occupied housing values by structure type. This yields slightly lower rental shares than simply relying on the rental unit share of all housing units, since rental units have lower average assessed values than owner-occupied housing. Adjustments are also made to account for second homes and seasonal housing.

Because Autor et al. measured local exposure based on the share of units within a 0.2-mile radius that had been rent-controlled, our analysis does not apply the same spillover effect uniformly across all municipalities. Instead, it takes the estimated controlled rental share of residential value and scales exposure using multifamily concentration and housing unit density, using data from the American Community Survey and the Census Gazetteer. Rental and owner-occupied properties are not evenly distributed across neighborhoods within each municipality, rental exposure is adjusted so that densely populated areas with a high concentration of apartments receive higher spillovers, while owner-occupied homes in less rental-dense areas receive lower spillovers. This is accomplished through modeling assumptions, not parcel-level data.

Following published estimates from the Greater Boston Real Estate Board, we assume that 70 percent of the value of rental property will be subject to rent control. This share may increase over time if new investments decline under rent control, but the relevant datapoint is the total value of current property that would be subject to rent control.

The model takes several key features of Massachusetts' property tax into account, but not all. It accounts for each municipality's current rate structure across property classifications, and applies statutory limits on the degree to which the residential share can be reduced and how much of the burden can be shifted to commercial, industrial, and personal property. Proposition 2½ limitations were tested, but proved largely irrelevant. The model does not account for residential exemptions, which exist in some jurisdictions (including Boston), except in city-specific examples.

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20 Massachusetts Division of Local Services, "Property Tax Data and Statistics," <https://www.mass.gov/lists/property-tax-data-and-statistics>.

Although it is not included in the primary analysis, a scarcity premium is also modeled, to capture long-run increased demand for owner-occupied housing under a rent-control-induced contraction in rental housing supply. Estimates are anchored in the economic literature on rent control but require assumptions that go beyond that literature. Scarcity adjustments are scaled by housing-unit density, multifamily concentration, and municipal classification, with a ceiling of 2 percent appreciation over assessed value net of the negative spillover effects of rent control. These assumptions are modest relative to the findings of relevant studies, but the adjustments reflect the extent to which those studies focused on newly controlled properties in high-density areas.

For summary purposes, municipalities are classified using a simplified version of the Metropolitan Area Planning Council's published Community Types classifications, collapsing the Council's categories into three groups (urban, suburban, and rural).<sup>21</sup>

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21 Metropolitan Area Planning Council, "Massachusetts Community Types," July 2008, [https://www.mapc.org/wp-content/uploads/2017/09/Massachusetts-Community-Types-Summary-July\\_2008.pdf](https://www.mapc.org/wp-content/uploads/2017/09/Massachusetts-Community-Types-Summary-July_2008.pdf).