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Septic Tax Credit Increase Eyed to Clean Cape Waterways

Healey's Plan Draws Praise from Lawmakers, Environmental Groups

Sam Drysdale | 3/6/23 5:08 PM

STATE HOUSE, MARCH 6, 2023.....A single sentence in Gov. Maura Healey's tax plan that went largely under the radar during the governor's media tour last week could mean a significant investment in clean water on Cape Cod, according to lawmakers and environmental advocates.

In her \$859 million tax relief package (H 42), Healey proposed doubling the maximum credit for septic tank repair or replacement in primary residences from \$6,000 to \$12,000.

Failed and underperforming septic systems are a leading cause of pollution in Cape Cod's fresh and saltwater systems. Nitrogen and phosphorus in human waste leak from septic tanks into the groundwater, which then flow into bays, estuaries, rivers and ponds.

These accumulating chemicals in natural water systems encourage the growth of toxic algae and bacteria called cyanobacteria, leading to increasingly frequent closures of lakes, ponds and beaches in the summer on the Cape. Nitrogen and phosphorus also deplete oxygen from the water, resulting in large-scale fish kills.

"Beaches get shut down every year because of water pollution, and that has impacts on our fishing industry, particularly on shellfishing, and our very vibrant tourism industry. Anything we can do to protect water quality is a really strong step to protecting our environment and economy on the Cape and Islands," said Rep. Dylan Fernandes of Falmouth.

Environmental nonprofit the Association to Preserve Cape Cod, which monitors and collects data on cyanobacteria, found that the coastal embayments that serve as important wildlife habitats are quickly degrading.

Between 2019 and 2022 the rate of "unacceptable" water quality in these small bay ecosystems climbed from 68 percent up to 90 percent, according to APCC's annual State of the Water report.

"It's a very encouraging early sign that the new administration understands the challenges that we face on Cape Cod to upgrade inadequate septic systems," said APCC director Andrew Gottlieb.

Current state law allows homeowners whose primary residence is in Massachusetts to receive a tax credit equal to 40 percent of the amount to design and install a septic system to replace or repair a failed system in their yard. The credit covers 40 percent of the actual cost, with a maximum credit of \$6,000. A homeowner who receives a full \$6,000 credit under the current regulation gets credit installments of \$1,500 each tax year for four years.

Under Healey's proposal, the credit would cover 40 percent of the actual cost up to \$12,000 -- doubling the amount that residents can get. It also accelerates the credit reimbursement schedule, giving homeowners up to \$4,000 in septic repair credits each year for three tax years, instead of four.

An average regulation septic system costs homeowners around \$15,000, Gottlieb said.

These standard systems -- which are often called "Title 5 systems," referring to the state regulation that establishes standards for sewage disposal systems -- only filter about 25 to 30 percent of the harmful nitrogen nutrients out of wastewater before it flows into the ground, according to Brian Baumgaertel, clean water researcher at the Massachusetts Alternative Septic System Test Center. When septic systems fail, they can cause even more nutrient leaking and, therefore, pollution.

Healey's proposal comes at a time when the Massachusetts Department of Environmental Protection is considering updating Title 5 standard requirements.

Under MassDEP's proposed regulation change, any area designated a "nitrogen sensitive area" (which covers most of the Cape and Islands) would be "required to upgrade to the best-available, nitrogen reducing technology within five years." There are exceptions under this proposed change, including if a municipality can prove it is working toward installing a sewer system, which is the most effective way to reduce unwanted nutrients in water systems.

MassDEP held the last of five public hearings on the Title 5 amendment in January. If it were to be implemented, homeowners in many Cape and Islands towns would have to update their less-effective systems with a nitrogen-reducing system. These alternative systems use new technology to remove closer to 90 or 95 percent of the nutrients in wastewater before releasing it into the ground, Baumgaertel said.

Sen. Julian Cyr of Truro said he hopes Healey's proposed Title 5 credit also incorporates these alternative systems. Baumgaertel, whose test center researches and builds these new septic systems, said installation can cost homeowners an average \$30,000 to \$35,000.

"Doubling the maximum tax credit available will definitely be helpful in situations where people need to invest in nitrogen-reducing systems," Gottlieb said.

Falmouth, Barnstable, Chatham and Provincetown are the only four towns on Cape Cod that currently have publicly owned wastewater treatment facilities, which serve only a small portion of their population, Gottlieb said. Orleans, Mashpee and Harwich are working to build sewer systems or treatment plants, but are at various stages of that expensive process.

When sewers do get up and running, Cyr said he hopes the proposed tax credit would also extend to homeowners who want to connect their houses to public sewer lines, which can also cost tens of thousands of dollars.

Healey's proposed tax credit plan, which she released last week, also aligns with a new Barnstable County loan program to address wastewater issues. The county's Community Septic Management Loan Program revised its tiered interest rate system on March 1.

The Barnstable program previously offered 5 percent interest rates on loans to replace failed septic systems with either standard or nitrogen-reducing systems. As of last week, residents who fall below 120 percent of the area median income (about \$100,000 income, Gottlieb said) are now eligible for loans at a 0 percent interest rate. Residents who make up to 180 percent area median income are eligible for 2 percent interest loans, and all other applicants are eligible for 4 percent rates.

Cyr said previous generations have kicked the can down the road on solving Cape Cod's wastewater and water quality problems. He said a friend of his who works in Harwich local government recently found a letter from the 1970s, in which the federal government offered to pay 90 percent of the cost of a sewer -- an offer they didn't accept.

"We've got to bite the bullet on this issue. This problem is not going away. A pristine marine environment is not only the lifeblood of what Cape Cod is, but is tied to our economy," Cyr said.

Cyr and Fernandes praised Healey and Lt. Gov. Kim Driscoll on their work on this issue two months into office. Cyr, as well as Gottlieb, said Driscoll in particular had already spoken to them several times about the Cape's wastewater pollution problems and potential solutions.

The Truro senator said he is encouraged by the new administration's willingness to dedicate time to the issue, and criticized former Gov. Charlie Baker for what he called a "hollow" and "unrealistic" proposal to invest in wastewater infrastructure last year.

Baker recommended \$200 million for Cape Cod water and sewer initiatives in a supplemental budget last summer, but the investment got scrapped when lawmakers realized they needed to return \$3 billion to taxpayers under Chapter 62F.

"The Healey/Driscoll administration have already been terrific partners with us in coming up with revenue sources to solve Cape Cod's \$4 billion wastewater problem. While the prior administration took important steps to update Title 5 regulations, they never came up with an achievable revenue proposal about how to help our towns pay for this problem," Cyr said. "Their proposal to spend \$200 million rang hollow and wasn't realistic given implementation of 62F and a regressive giveaway that drained state coffers of \$3 billion."

While Healey was busy talking to journalists and constituents last week about other parts of her tax plan, Cape Cod lawmakers and environmental activists said this proposal would be "a big deal" for those who live in the region. When asked about the septic system credit on GBH's Ask the Governor show last Thursday, Healey said it is "so important."

"We see what's going on now in the Cape in particular, but around the commonwealth, people have a need to upgrade, but it costs money. And so we wanted to provide this tax credit as a way to help families do that," Healey said. "You know, it's expensive to replace your septic system. And so we wanted to provide some help. ... A lot of systems, what is it, 25 [thousand dollars]? I mean, 30k for a septic system. And so we hope this tax credit will go a long way."

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03/06/2023

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