

RECOMMENDATIONS FOR REDUCING HOUSING COSTS FOR SENIORS BY AUGMENTING PROPERTY TAX RELIEF PROGRAMS, FUNDING A LOW INTEREST DEFERRED HOME REPAIRS LOAN PROGRAM AND PROTECTING ELDERS AGE 65+ FROM TAX TITLE AUCTIONS

Mass Council on Aging Property Tax Relief Taskforce, December 2016

Fifty percent (50%) of older adults living alone, and 1 out of 4 older adults living in two-elder households, lack the financial resources required to pay for basic needs and age in dignity, according to the Elder Index published by UMASS Gerontology Institute in September 2016.

Massachusetts has the second worst level of economic insecurity rate for single older adults in 2016, trailing only Mississippi. This means that a large percentage of older adults in our state are living in a “gap” between poverty (as defined by the federal poverty level) and real economic security as defined by the Elder Index.¹ Individuals in this “gap” often have incomes too high to qualify for many means-tested public programs, yet too low to achieve intermediate- or long-term economic security.

MCOA recommends several property tax relief measures that will offer significant financial relief to older adults and also make access to local property tax relief options more fair equitable for elderly residents in every city and town across the Commonwealth. Most of the recommendations use the income levels of the Massachusetts “Circuit Breaker” refundable tax credit program, depicted below.

Whereas: Property taxes relief programs are a complex array of local options with inconsistent eligibility criteria and effective relief for elders.

Whereas: Every city and town in Massachusetts has a growing population of adults age 60 and older.

Whereas: Long term residents of many communities wish to continue to reside in their home towns for the remainder of their lives.

Whereas: It is a matter of good planning principles to plan for the housing needs of older residents.

Whereas: The Commonwealth of Massachusetts has defined within the Circuit Breaker Refundable Income Tax Credit Program administered by the Department of Revenue the percentage of gross income that is an appropriate amount to pay for property taxes or rent, for homeowners and tenants respectively, as 10% or 25%.²

¹ The Elder Economic Insecurity Index is a measure of the income that older adults need to meet their basic needs and age in place with dignity. The Elder Index is specific to household size, location, housing, and health status. It includes the cost of: housing, health care, transportation, food and miscellaneous essentials. To download national, state, county and/or city index elder economic security data, go to at <http://www.basiceconomicsecurity.org/EI/>.

² The Circuit Breaker helps reduce housing costs for adults age 65 + whose property taxes plus ½ of their water and sewer bills exceed 10% of their annual income (or for renters, if their rent is greater than 25% of their income). See the chart below for 2016 income levels.

Issues and Recommendations:

A. INCOME TAX CREDIT TO LOWER PROPERTY TAX RATE CLOSER TO 10% OF INCOME -

1. The Circuit Breaker, Chapter 62, Section 6k, provides a cash credit to a taxpayer who meets certain tests of income and house value/rent. The credit was intended to reduce the property tax burden to 10% of income. The limit on house values and personal income levels makes the Circuit Breaker only partially successful in communities where the average property values and tax obligations have increased significantly in recent decades, beyond the capacity to pay for retirees who would like to continue living in their community of many years, alongside supportive neighbors, dear friends, and their faith communities.

- a. **Recommendation:** Eliminate the home values that currently caps eligibility for the Circuit Breaker Program. (was \$693,000 for 2015 and is \$720,000 for 2016) (S.1457)
- b. **Recommendation:** Instruct the Department of Revenue to conduct outreach to promote awareness in older adults of the tax credit.
- c. **Recommendation:** Instruct the Department of Revenue to target outreach to accountants and tax preparers to ensure they complete the Circuit Breaker Tax Form for all potentially eligible adults.

Circuit Breaker Maximum Income Level for Tax Years:	2013	2014	2015	2016
Single	\$ 55,000	\$ 56,000	\$ 57,000	\$ 57,000
Head of household	\$ 69,000	\$ 70,000	\$ 71,000	\$ 71,000
Married, filing jointly	\$ 82,000	\$ 84,000	\$ 85,000	\$ 86,000
Married, filing separately	<i>Not Eligible</i>			

B. LOCAL PROPERTY TAX EXEMPTIONS, DEFERRALS, AND SERVICE PROGRAMS TO REDUCE ANNUAL TAX

1. Real Property Tax Exemptions

- a. Each city and town decides what the maximum income level can be in order to be eligible – it can range widely. Likewise, each city and town decides upon an amount of savings and other resources an elder may have and still be eligible – these too vary widely.

Recommendation: Permit under local option the board of assessors to grant real property tax exemptions to age eligible residents who have an annual income that falls below the Elder Index published by UMass Boston Gerontology Institute.

- b. **Hardship Waiver Exemption:** Currently, some persons may be able to reduce all or a portion of the taxes assessed on their domicile if they do not have the financial resources to pay them because (1) they were called into active military service (not including initial enlistment), or (2) they are older and suffer some physical or mental illness, disability or impairment. Further qualifications are established locally by the board of assessors.

Recommendation: Change the language (from AND to OR) in the property tax hardship waiver exemption to offer the same exemption to adults with disabilities as that offered to older adults, e.g. "... (2) you are older, **OR (3)** you suffer some physical or mental illness, disability or impairment."

- c. **Recommendation:** Permit under local option the board of assessors to grant real property tax exemptions up to 100% of the total tax assessed to a resident who has attained the age of 80 and who has an annual income that falls below the Elder Index published by UMass Boston Gerontology Institute³, subject to eligibility criteria for residing in the city or town for 10 consecutive years.

Elder Index 2016	Single Elder w/o Mortgage	Single Elder w/ Mortgage	Elder Couple w/o Mortgage	Elder Couple w/ Mortgage
Average Income Needed Per Month	\$2,010	\$3,063	\$2,956	\$4,009
Average Income Needed Per Year	\$24,120	\$36,756	\$35,472	\$48,108

2. **Property Tax Deferrals Clause 41 A along with related water and sewer deferrals under Chapter 40, Section 42 and Chapter 83, Section 16G** allows for the postponement of the payment of any or all of property tax and water/sewer charges to be postponed until the home is sold, conveyed or transferred to a trust, the senior or surviving spouse dies, or the deferral is paid. There are no asset restrictions but there are income restrictions. Currently, the interest rate cannot be more than 8% during the deferment period but may rise to 16% immediately upon the death of the homeowner.

- a. **Recommendation:** Reform the property tax deferrals clause to:
- i. Require all cities and towns to use income guidelines that are not lower than the MA Elder Index levels published by UMASS Gerontology Institute and not higher than the MA Circuit Breaker Income Tax Credit Program income guidelines.
 - ii. Adopt a lower maximum interest rate on deferred taxes. Permit by local option the maximum interest rate to be no more than 4% per annum.

³ Download full report at <http://scholarworks.umb.edu/demographyofaging/13/> .

- iii. Maintain the same interest rate on deferred taxes during the first 12 months after the death of the property owner to allow the heirs sufficient time for probating the will and settling any estate.
- iv. After the 12-month timeframe elapses, allow the interest rate to increase, but cap the maximum interest rate on deferred taxes to 8%. (variation on S.1467)

b. **Recommendation:** Establish the option for all cities and towns to implement the “Sudbury Plan” (H.4030) which allows municipalities to exempt up to 50% of real estate taxes for seniors whose annual property taxes exceed 10% of their annual income, provided their incomes fall below the Circuit Breaker income levels, they are 65 years of age or older, they own the property and it has been their primary domicile for at least 10 consecutive years, and the maximum assessed value of the home is not greater than the average assessed value of a single family residence for the city or town plus 10%, and the board of assessors approves the application. Also, the municipality may use a dollar cap on all the exemptions granted under this section equal to .5 per cent of the total residential property tax levy for the city or town for the first year and a range of .5% to 1% for subsequent years. The total exemption amount may then be allocated proportionately within the tax levy on all residential taxpayers.

3. **Senior Tax Work-Off and Valor Act Programs** are available to a limited number of low to moderate income seniors age 60 and older and veterans who provide service to the city or town in exchange for a reduction in their property tax obligation. The maximum level one may earn was raised to \$1,500 as part of the MA Municipal Modernization Act of 2016 (Sec. 127). However, income guidelines are typically much lower than the state income tax credit for excessive property taxes or rent. Instead, cities and towns use much lower income levels and also limit the number of adults who may use the program.

a. **Recommendation:** Have all cities and towns use consistent maximum income guidelines for eligible participant that are not less than the income levels used by the MA Circuit Breaker Income Tax Credit Program.

C. PROTECT ELDERS FROM THE SELLING OF TAX LIENS FOR DELINQUENT PROPERTY TAXES

1. Cities and towns across the state are increasingly selling the tax debts of elder homeowners to third parties. These delinquent property tax debts are often relatively small in size. Often the third parties purchasing these tax debts are collection agencies or out-of-state entities who are not interested in special payment plans or other considerations for elders and they proceed rapidly to foreclosure and property seizure. The vast majority of elder homeowners caught in this situation are ill-equipped and unable to cope with these high-pressured collections circumstances. (Source: The Elder Economic Security Commission Report of 2016)

- a. **Recommendation:** Exempt elder homeowners, aged 65 or older, who are sole owners and residents of the real estate in question (and who own no other properties) from the above referenced process of sale for tax title sums owed to a municipality. This could be accomplished through legislative action to amend the relevant Chapter 60 (2) (c). (S.1495)
- b. **Recommendation:** Require a staff person from the tax collector's office or staff from the regional Aging Services Access Point's Elders at Risk Unit to conduct a face to face interview with the property owner, to assess whether some extenuating circumstances, (e.g. a social, medical or cognitive condition) may have caused the homeowner to be late in paying property taxes and, if so, to provide assistance with resolving the late payment.

D. ESTABLISH A HOME REPAIR FUND FOR LOW INCOME ELDERS

1. In 2016, the legislative commission for MA Elder Economic Security published several recommendations to help make housing and housing maintenance more affordable for the state's aging population. They noted "a growing and **dangerous problem of senior homeowner deferred maintenance**. The problem is caused by a significant number of elder homeowners who cannot afford to pay for needed home maintenance and repairs which in many cases lead to unsafe living conditions. Repairs to roofs and core system, such as electrical, plumbing and heating, as well as necessary home safety and structural items, becomes more difficult year to year."
 - a. **Recommendation:** Expand funding for the Massachusetts Rehabilitation Commission's home loan modification program that provides funds for upgrading essential systems and eliminating physical barriers through no interest and low interest loans deferred up to length of home tenure. Expansion of existing funding via a bond issue on an annual basis is suggested.
 - b. **Recommendation:** Develop a statewide program to help some elder homeowners pay for essential (no frills) home repairs focused on safe and sound roofs, stairs, entryways, plumbing, and core systems as well as barrier elimination. Fund the program with an annual bond issue utilizing a mortgage instrument secured upon the home of the elder homeowner (similar to the way the state's home loan modification program). Provide low interest or no interest loans, with an option to defer payment until the death or permanent relocation of the elders involved. Use consistent eligibility criteria, applications and implementation procedures by enlisting an experienced network to administer the program, similar to the way the state's home loan modification program is administered by the Massachusetts Rehabilitation Commission.