



SENIOR PROPERTY TAX EXEMPTION STUDY COMMITTEE

MAY 19, 2021



INTRODUCTION

- The Senior Property Tax Exemption Committee began its work on May 30, 2019.
 - *Its charge was to research and analyze the feasibility and the impact on the Town of Natick of pursuing the adoption of a Senior Property Tax Exemption to lower the property tax of seniors who meet certain income, residency, and eligibility criteria for an annual property tax that is capped at a percentage of their annual income, or other property tax relief initiatives.*
- Members
 - *Susan G Salamoff, Chair; Susan Ramsey, Clerk, Robert Caplin, Andrew Eschtruth, Eric Henderson, Patricia Sciarra, Richard Tresh*

INTRODUCTION

- This included review of the following regarding a Means Tested Exemption:
 - *Establishment of need, fairness, and affordability*
 - *Review how Town programs interact with the Massachusetts Circuit Breaker Program*
 - *Analyze funding sources and estimates of cost*
- In addition, a goal was set to develop a campaign to build awareness of current Natick Tax Assistance and Deferral Programs

INTRODUCTION

- The committee:

- *Reviewed reports from communities that implemented a STME program such as Sudbury and Concord and from communities that after research did not implement a program such as Brookline and Lexington.*
- *Reviewed census data and reports such as the Tufts Healthy Aging Community profile in an effort to quantify the demographics of our community.*
- *Reviewed current programs and put forth promotional efforts with direct mailers, email blasts, creation of pamphlets and educational materials.*

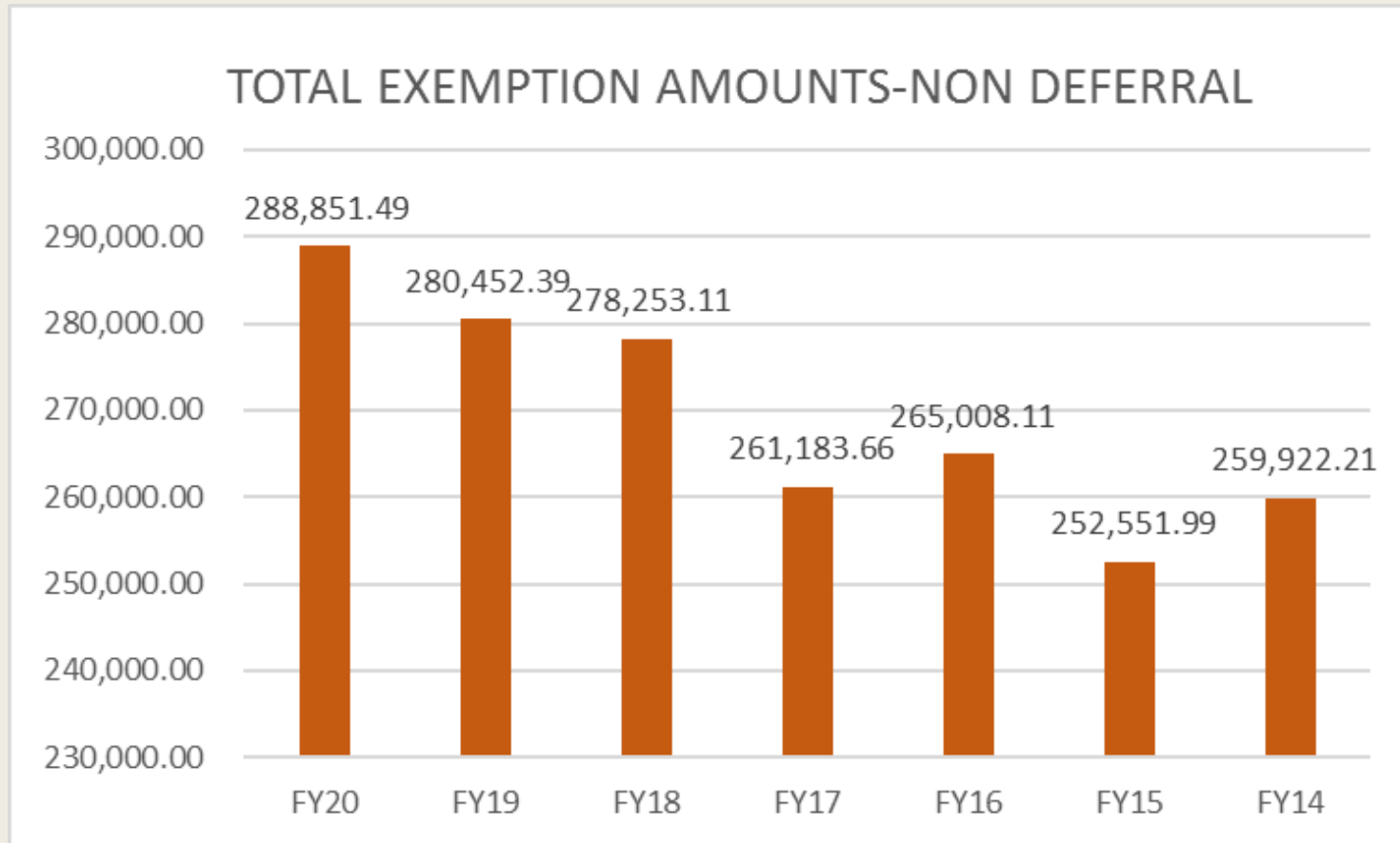
INTRODUCTION

- This presentation will review:
 - *I. Current Programs*
 - How does Natick compare?
 - *II. Senior Means Tested Exemption*
 - The State Circuit Breaker
 - Sudbury and Wayland models
 - Fundamental issues
 - *III. A potential Natick model*
 - *IV. Conclusion*
 - Pros/Cons
 - Thoughts

I. CURRENT TAX ASSISTANCE PROGRAMS

- As provided by state law, the Board of Assessors administers tax assistance programs for various eligible taxpayers. These exemptions have ownership, occupancy, and other qualifications that must be met.
- The Board of Assessors annually sponsors a warrant article to increase exemption amounts above the state guidelines, increasing the amount 2.5% each year
- Eligible taxpayers include:
 - Disabled Veterans
 - Blind Individuals
 - Low income and/or asset senior citizens

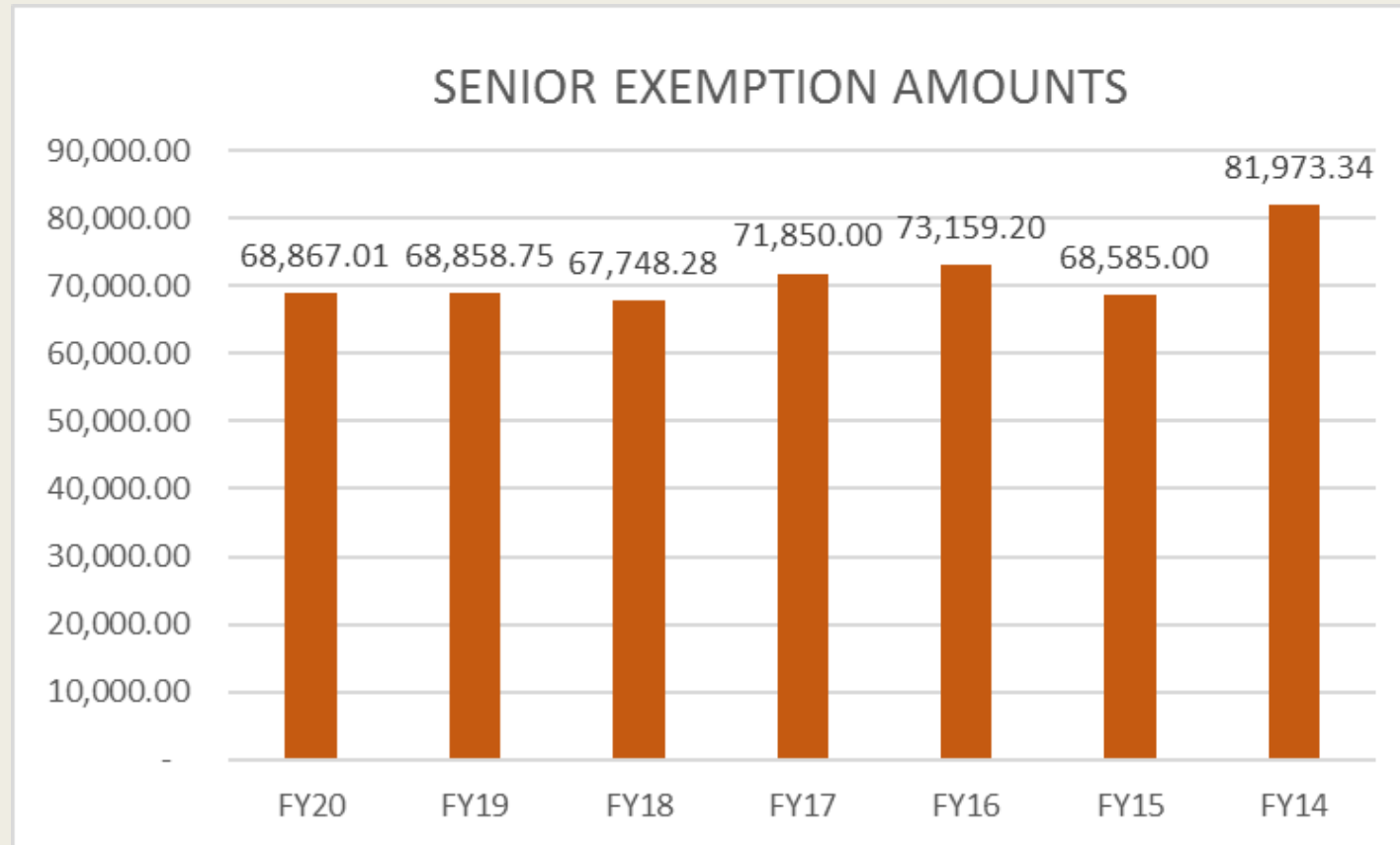
HISTORIC NATICK EXEMPTIONS:



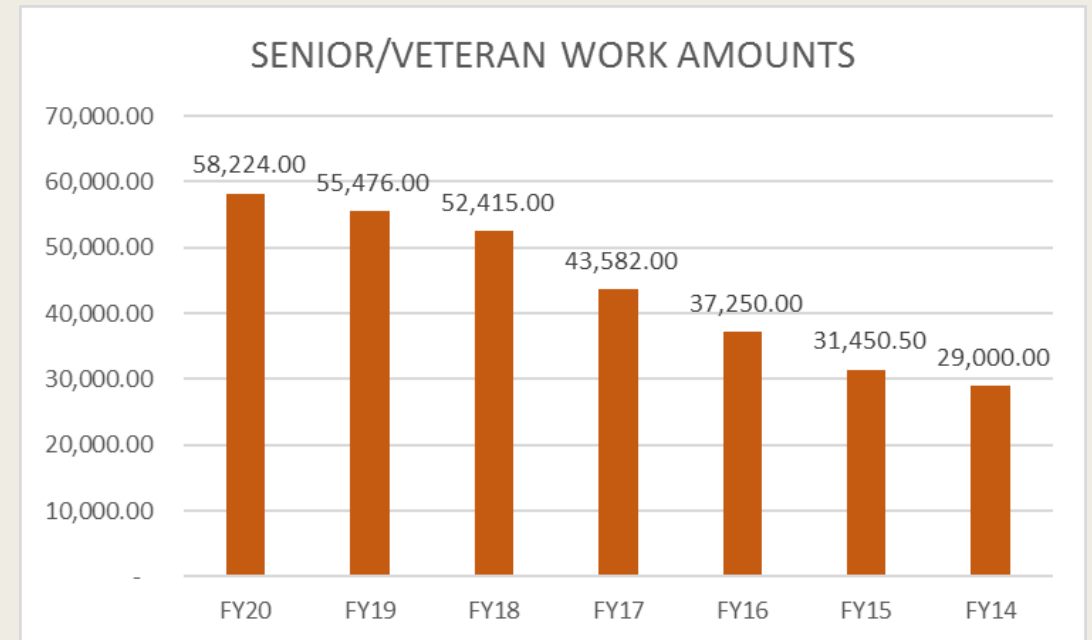
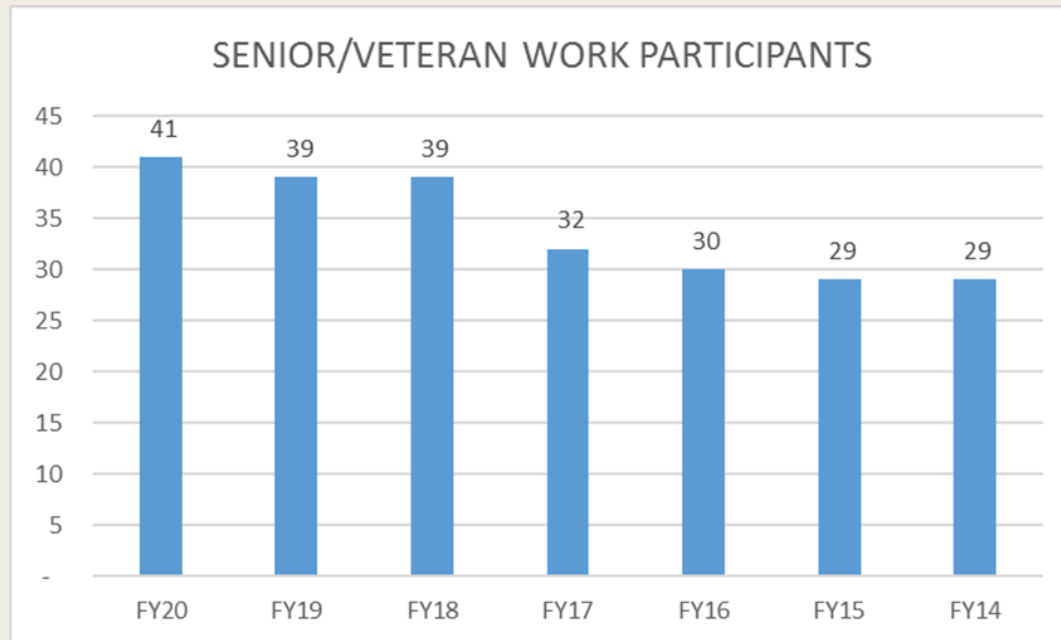
CURRENT TAX ASSISTANCE PROGRAMS- SENIOR SPECIFIC

- *Senior specific exemptions.*
 - CI 17D- \$280.00
 - *Must be 70 years old, or a surviving spouse or minor child*
 - *Whole estate (assets) must be under \$40,000 (not including house)*
 - CI 41C- \$1600.00
 - *Must be 65 years old*
 - *Whole estate must be under \$40,000 if single, \$55,000 if married and*
 - *Income must be under \$20,000 if single, \$30,000 if married*
 - Senior/Veteran Work-off program- \$1500.00
 - *Income qualified Seniors and Veterans can work at minimum wage for credit towards their real estate tax bill.*

HISTORIC NATICK EXEMPTIONS- SENIOR SPECIFIC



HISTORIC NATICK EXEMPTIONS- SENIOR/VETERAN WORK PROGRAM



CURRENT TAX ASSISTANCE PROGRAMS-

TAX DEFERRAL PROGRAM

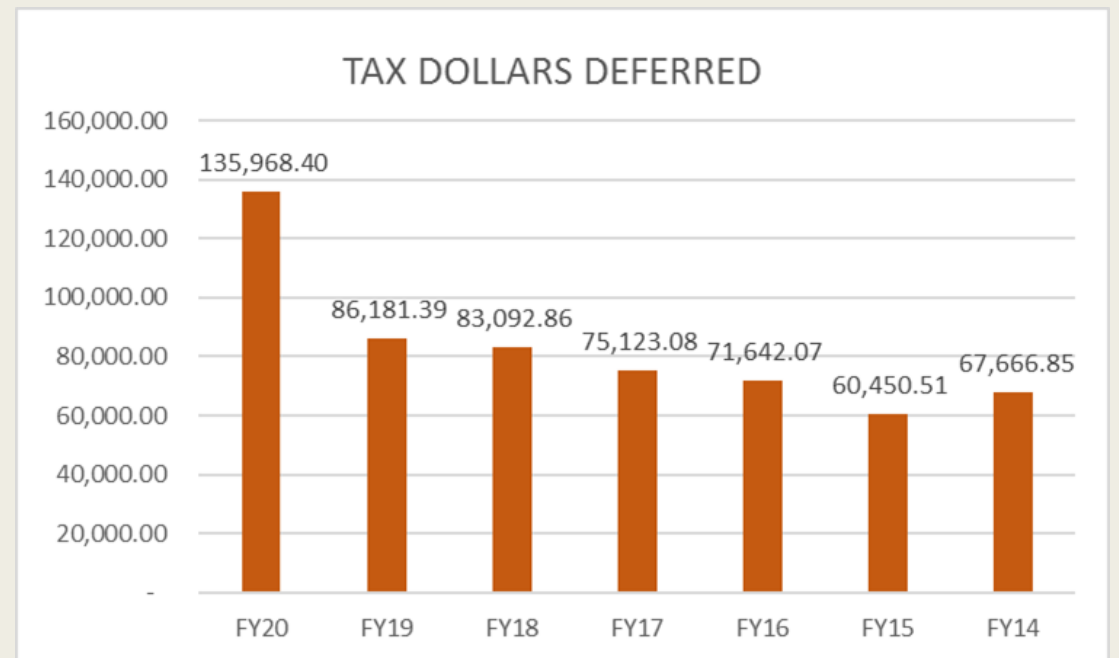
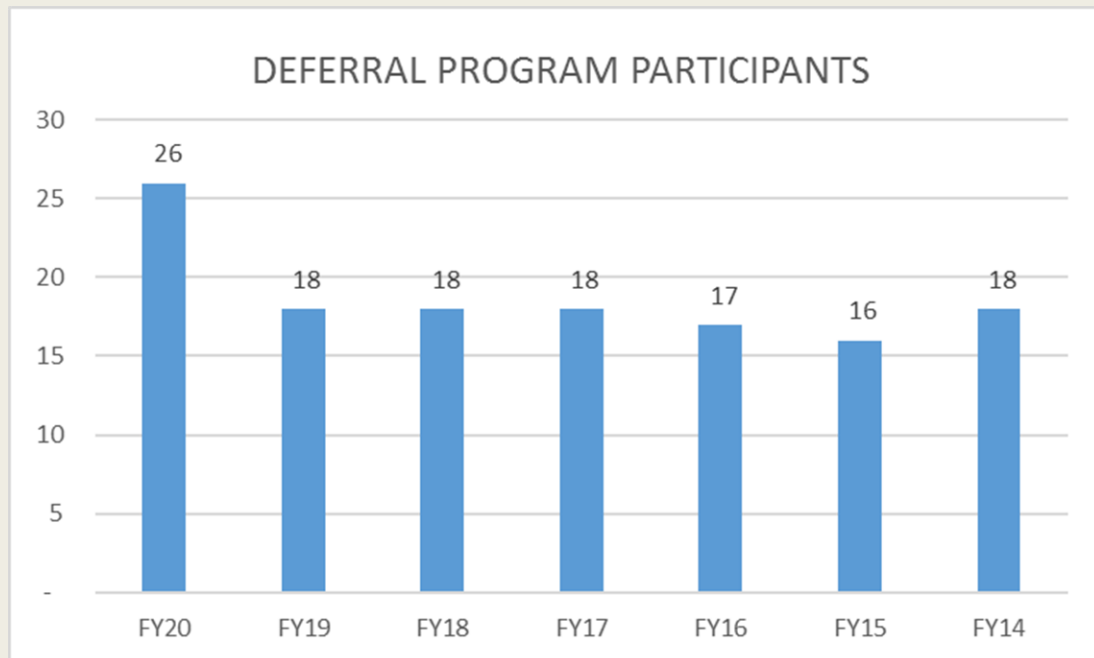
- *The tax deferral program allows seniors to defer some or all of their taxes. Taxes are paid back to the Town upon sale or transfer of the property and/or the passing of the owner.*
 - CI 41A- Tax Deferral Program
 - *Must be 65 years old*
 - *Income must be under \$60,000 (adjusts annually)*
 - *Interest rate on deferrals at 2%*

CURRENT TAX ASSISTANCE PROGRAMS- TAX DEFERRAL PROGRAM

- *The tax deferral program allows seniors to utilize the equity in their homes to pay their current tax bills.*
- *It takes what is often a senior's largest annual bill off the table.*
- *This program has been deemed under-utilized by this committee.*
- *Through Town Meeting, adjustments have been made to make the program more beneficial to Natick's seniors. At 2019 FTM the committee successfully sponsored an article to increase the income qualification and index it to the state Circuit Breaker credit*

	STATE	NATICK
INTEREST RATE	8%	2%
MAXIMUM INCOME	\$20,000	\$60,000

HISTORIC NATICK EXEMPTIONS- TAX DEFERRAL PROGRAM

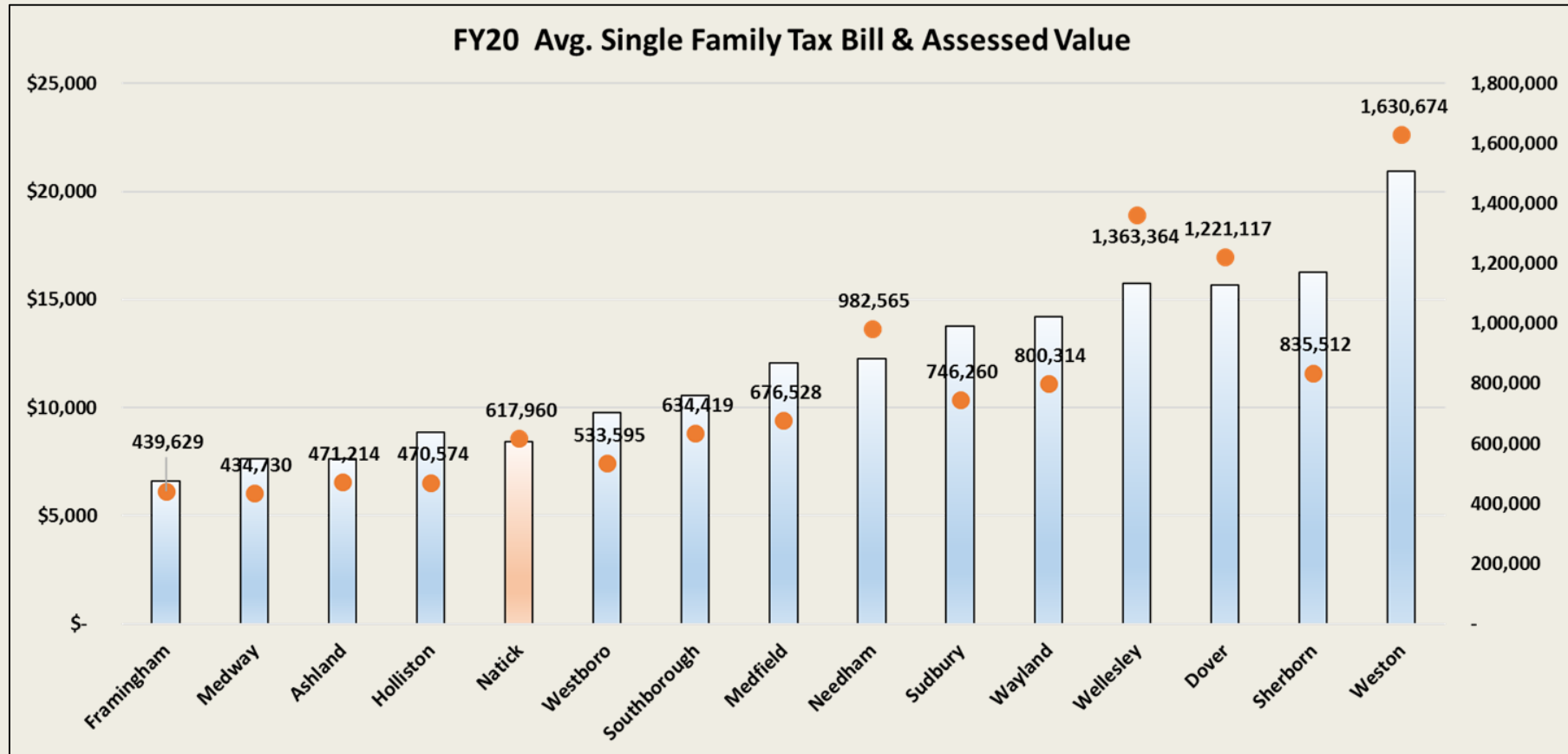


ADDITIONAL PROGRAMS

- Elderly & Disabled Fund- funded by taxpayer donations
- Natick Council on Aging & Human Services provides a multitude of programs and services to assist residents of all ages
 - *Information & referral*
 - *Case management*
 - *Application assistance for government benefits*

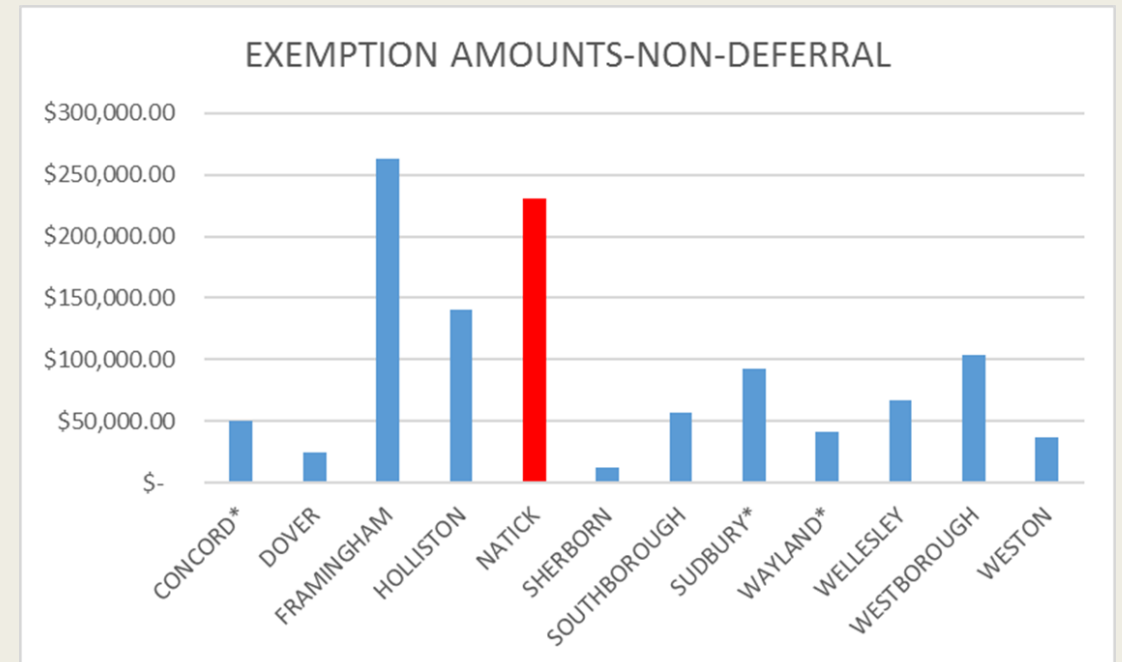
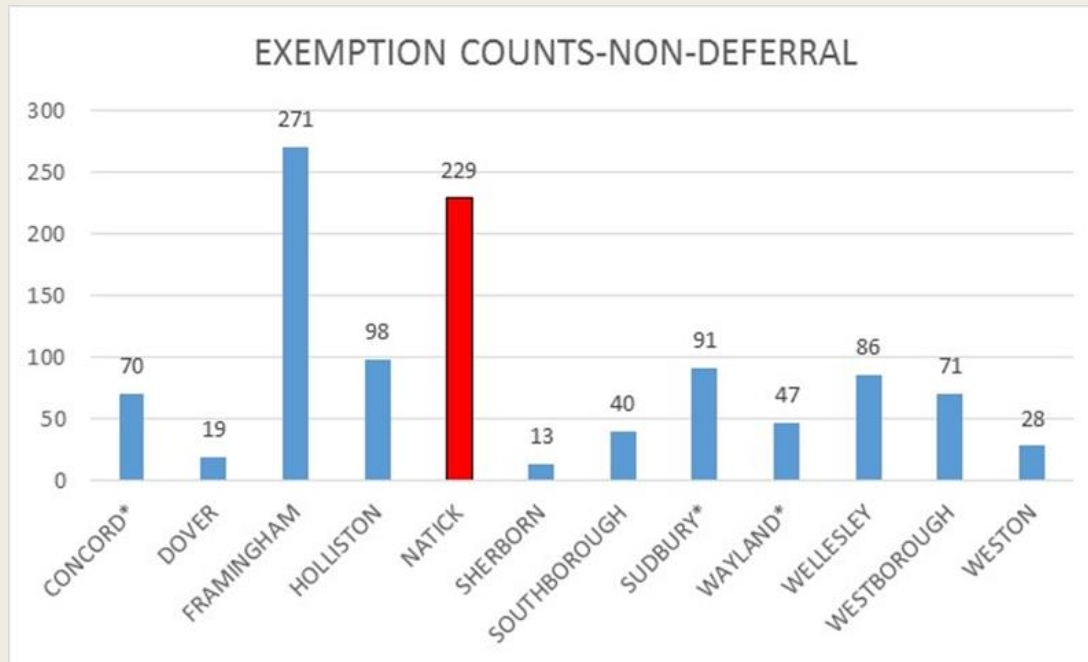
HOW DOES NATICK COMPARE?

TAXES:



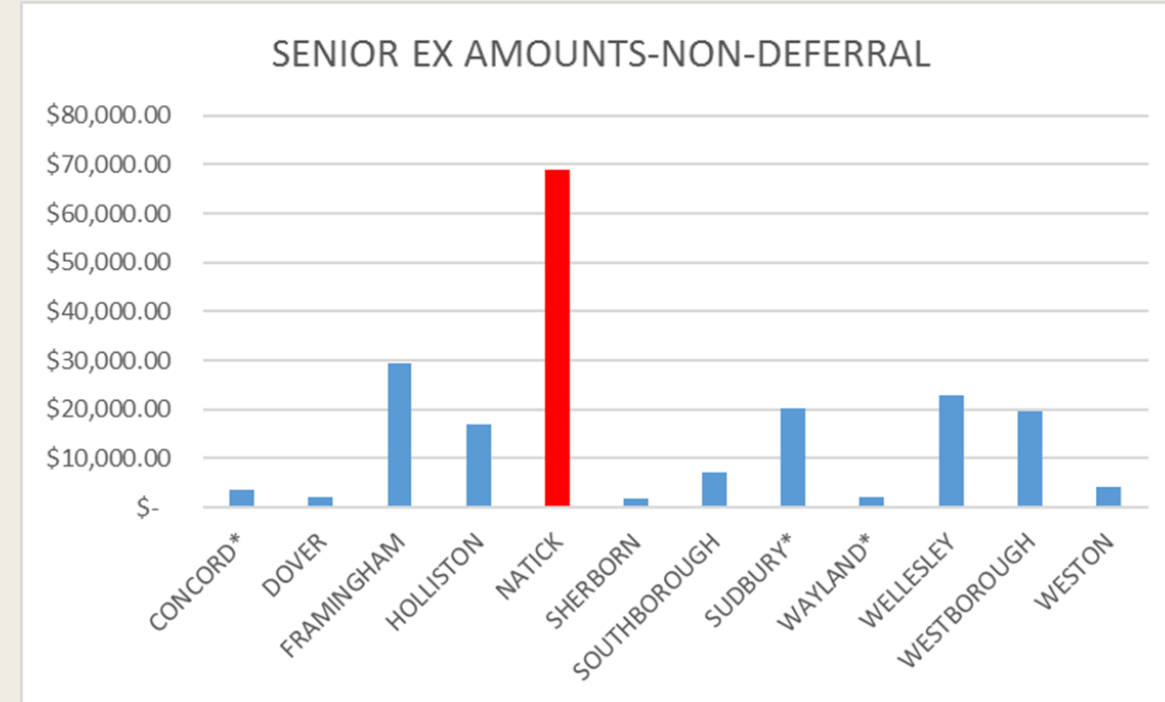
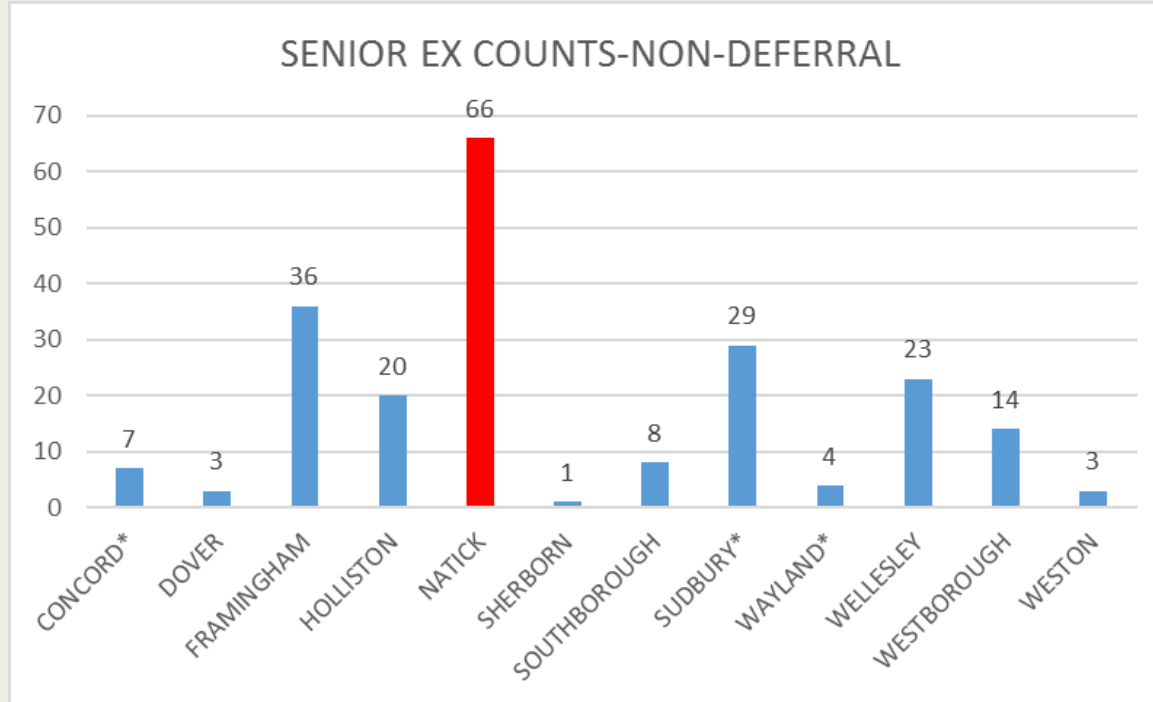
HOW DOES NATICK COMPARE?

EXEMPTIONS:



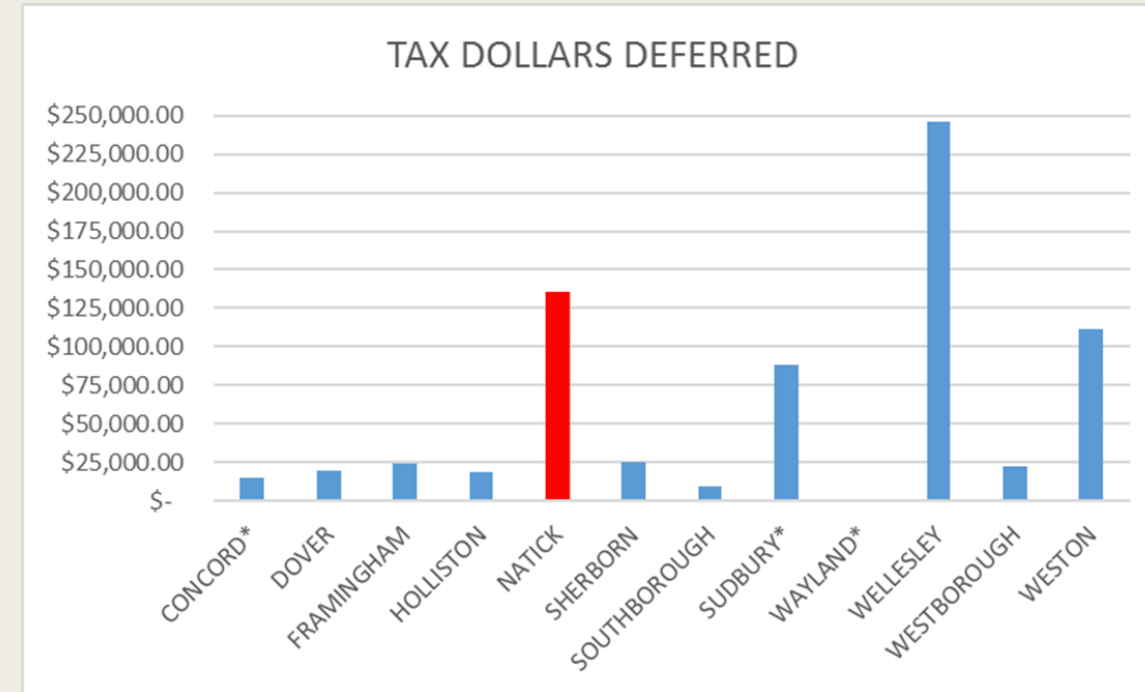
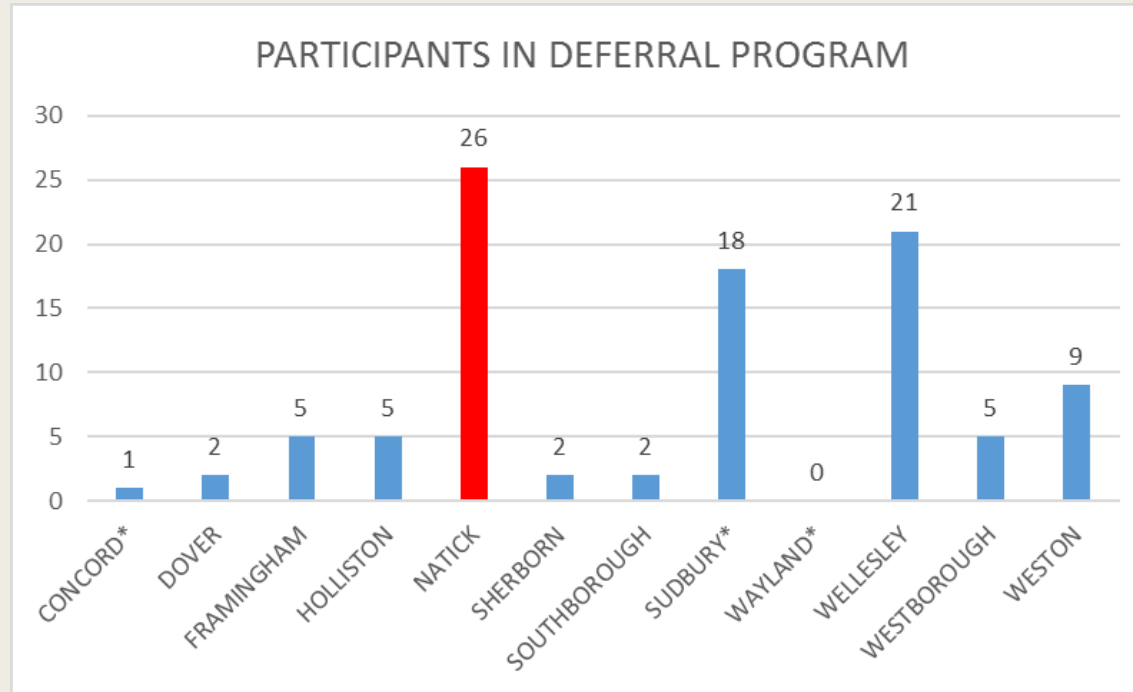
HOW DOES NATICK COMPARE?

SENIOR EXEMPTIONS:



HOW DOES NATICK COMPARE?

DEFERRALS:



II. SENIOR MEANS TESTED EXEMPTION

- What is a Senior Means Tested Exemption?
 - *Who and how much are the benefits*
 - *Variations in the program*
 - *Funding options*
- What other communities utilize this program
 - *Lessons learned from these communities*
 - *Pros and cons*
- Costs of the program
 - *Tax shift*

SENIOR MEANS TESTED EXEMPTION

THE BASICS

- *The Senior Means Tested Exemption (SMTE) is an exemption first granted by Sudbury as a home rule petition in 2014.*
- *Conceptually, it coincides with the State of Massachusetts Circuit Breaker (CB) Credit*
- *The theory behind the CB credit is that no senior pays more than 10% of their income in real estate taxes and 50% of water/sewer charges.*
- *The exemption can basically be broken into two variants:*
 - *The Sudbury model*
 - *The Wayland model*

THE CIRCUIT BREAKER CREDIT

- You must be 65 or older by January 1, 2021.
- You must file a Massachusetts personal income tax return.
- You must own or rent residential property in Massachusetts and occupy it as your primary residence.
- For tax year 2020, your total Massachusetts income doesn't exceed:
 - \$61,000 *for a single individual who is not the head of a household.*
 - \$76,000 *for a head of household.*
 - \$92,000 *for married couples filing a joint return.*
- If you are a homeowner, your Massachusetts property tax payments, together with half of your water and sewer expense, must exceed 10% of your total Massachusetts income for the tax year.
- For tax year 2020, the assessed value of principal residence shall not exceed \$848,000.
- Maximum credit for 2020 is \$1,150

CIRCUIT BREAKER CREDIT EXAMPLES

Example #1	
Income	\$ 61,000
10% of Income	\$ 6,100
Assessed Value	\$ 600,000
Tax Bill	\$ 8,166
50% of water/sewer	<u>\$ 400</u>
	\$ 8,566
Amount over 10% of Income	<u>\$ 2,466</u>
CB Credit Granted (Max)	\$ 1,150

Example #2	
Income	\$ 61,000
10% of Income	\$ 6,100
Assessed Value	\$ 500,000
Tax Bill	\$ 6,805
50% of water/sewer	<u>\$ 400</u>
	\$ 7,205
Amount over 10% of Income	<u>\$ 1,105</u>
CB Credit Granted	\$ 1,105

THE SUDBURY MODEL

- Program funds the full tax amount that exceeds 10% of income, after taking into account the CB credit
- Maximum assessed value equals prior year average single family home + 10%
- Program is funded by a shift in the residential levy
 - By law; the program is allowed to be 0.5% of the residential levy for the first year and up to 1.0% of the residential levy for following years
 - For Natick, based on the FY21 residential levy:

PCT OF RES LEVY	COST/BENEFIT
0.5%	\$ 501,436
1%	\$ 1,002,872

THE SUDBURY MODEL

Example #1: SUDBURY	
Income	\$ 61,000
10% of Income	\$ 6,100
Assessed Value	\$ 600,000
Tax Bill	\$ 8,166
50% of water/sewer	<u>\$ 400</u>
	\$ 8,566
Amount over 10% of Income	<u>\$ 2,466</u>
CB Credit Granted (Max)	\$ 1,150
Sudbury Benefit	\$ 1,316

THE SUDBURY MODEL

■ Sudbury's First Year Results 2014

- 240 taxpayers qualified for the CB credit per DOR (includes renters)
- 124 Applied for the Sudbury CB credit
- Total cost of program \$289,200
- Added about \$45 to the tax bill of the average assessed value of \$632,187
- *Benefits provided to taxpayers:*

\$1,000 or less	24
\$1,001 to \$2,000	23
\$2,001 to \$3,000	26
\$3,001 to \$4,000	28
\$4,001 to \$5,000	9
\$5,000 to \$6,100	8

THE WAYLAND MODEL

- Matches the State Circuit Breaker dollar for dollar.
 - *Credit would be funded by the Overlay Account*
 - *The Overlay Account is funded under the levy limit and would reduce available funds for town and school budgets, capital, etc.*

THE WAYLAND MODEL

Example #1: WAYLAND	
Income	\$ 61,000
10% of Income	\$ 6,100
Assessed Value	\$ 600,000
Tax Bill	\$ 8,166
50% of water/sewer	<u>\$ 400</u>
	\$ 8,566
Amount over 10% of Income	<u>\$ 2,466</u>
CB Credit Granted (Max)	\$ 1,150
Wayland Benefit	\$ 1,150

III. A PROPOSED NATICK MODEL

- A goal of a potential Natick model was to avoid the known issues as previously mentioned, especially the concern of substituting State dollars with local dollars.
- In addition, focus was placed on providing the Select Board the ability to control costs; as estimating the number of recipients and the total annual costs were difficult to ascertain.
- Fundamentals of a Natick model
 - *Grant credit on “excess” property tax and ½ water/sewer not covered by the State (avoids \$ substitution)*
 - *Limit credit to CB max (help control costs)*

Proposed Natick Model

Key Components

- Provides qualified senior homeowners with a tax exemption that adds to the MA Circuit Breaker Credit (\$1,150 in 2020) up to 10% of Qualifying Income
- Applicant qualifications (except one time 10-year domicile determination) are taken from MA Circuit Breaker Credit form (MA Schedule CB)
- Natick Select Board annually sets:
 - *qualifying income limits,*
 - *maximum taxpayer exemption not to exceed prior year circuit breaker tax credit, and*
 - *total program cap within a range of .30% to 1.0% of residential property tax levy*

This provides the Select Board the flexibility to annually modify the program to meet the needs of a dynamic senior population.

Proposed Natick Model

Applicant Qualifications

- *65 or older if single or head of household; if married filing jointly, one applicant must be 65 or older and other applicant must be 60 or older*
- *Natick resident for 10 consecutive years – homeowner or renter*
- *Assessed value of home less than 110% of average single-family home - \$703,064 for FY 2021*
- *1st year of program – Qualifying Income less than or equal to \$38,000 if single or \$58,000 if married filing jointly or head of household*
- *Received Maximum MA Circuit Breaker Credit in prior year*

A POTENTIAL NATICK MODEL

- *The following is an estimate of costs to the average single family house based on the annual program cost (benefits provided)*

Additional Tax for Average Single-Family Homeowner					
	Option 1	Option 2	Option 3	Option 4	Option 5
FY 2021 Residential Tax Levy	100,287,220	100,287,220	100,287,220	100,287,220	100,287,220
Annual Program Cost	300,000	400,000	500,000	600,000	700,000
FY 2021 Residential Tax Levy after Annual Program Cost	100,587,220	100,687,220	100,787,220	100,887,220	100,987,220
Residential Assessed Property	7,368,642,159	7,368,642,159	7,368,642,159	7,368,642,159	7,368,642,159
Residential Tax Rate after Annual Program Cost	13.65	13.66	13.68	13.69	13.70
Average Single-Family Home Assessment	639,149	639,149	639,149	639,149	639,149
Average Single-Family Tax after Annual Program Cost	8,724	8,731	8,744	8,750	8,756
Additional Tax for Average Single-Family Homeowner	\$ 25.57	\$ 31.96	\$ 44.74	\$ 51.13	\$ 57.52

Thank you

Questions?