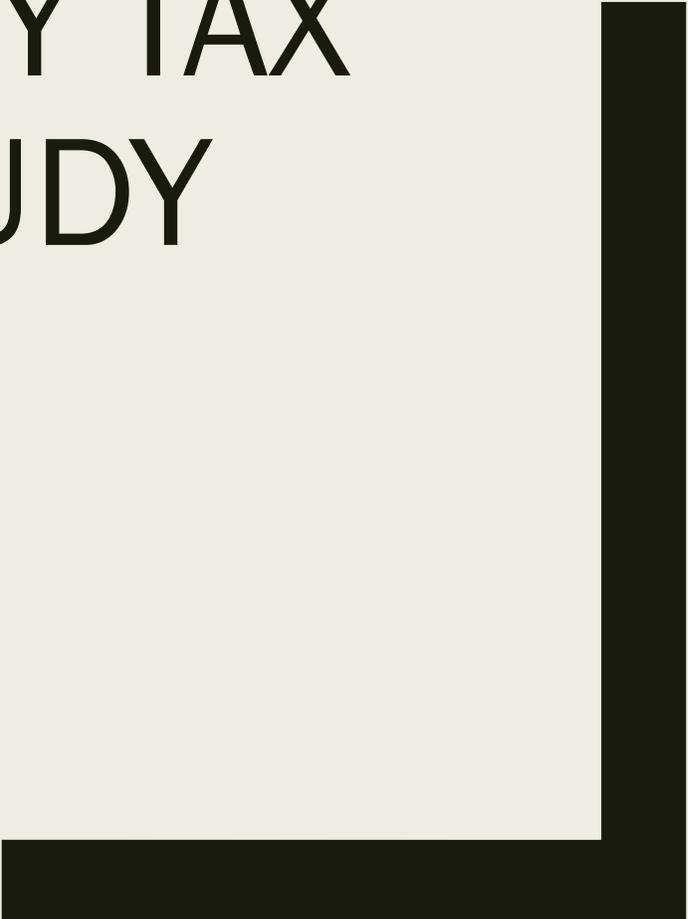




SENIOR PROPERTY TAX
EXEMPTION STUDY
COMMITTEE

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*

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 \$40,000 if single or \$60,000 if married filing jointly or head of household*
- *Received Maximum MA Circuit Breaker Credit in prior year*

**Natick Senior Property Tax Exemption
Benefits for Qualified Homeowners - Example
3 Year Pilot - FY 2023, FY 2024 and FY 2025**

Homeowner Assumptions:

Water and sewer = \$400
 Property assessments = \$639,149
 Property taxes = \$8,699
 Qualifying income = \$50,000
 Married filing jointly, met age and 10-year domicile requirements

MA Schedule CB - Lines 9 - 17

Line #		Year 1 CY 2022	Year 2 CY 2023	Year 3 CY 2024
9	Qualifying Income	\$50,000	\$50,000	\$50,000

Circuit Breaker Credit Calculation

10	Real estate taxes paid in calendar year - 2.5% annual increase	\$8,699	\$8,916	\$9,139
11	Adjustment to real estate taxes	N/A	\$1,150	\$1,150
12	Subtract line 11 from line 10	\$8,699	\$7,766	\$7,989
13	Enter 50% of water and sewer charges paid	\$200	\$200	\$200
14	Add lines 12 and 13	\$8,899	\$7,966	\$8,189
15	Income threshold. Multiply line 9 * 10%	\$5,000	\$5,000	\$5,000
16	Subtract line 15 from line 14	\$3,899	\$2,966	\$3,189
17	Enter lesser of line 16 or \$1,150 - Circuit Breaker Credit	\$1,150	\$1,150	\$1,150

Natick Senior Property Tax Exemption

	Subtract line 17 from line 16	\$2,749	\$1,816	\$2,039
	Enter lesser of above calculation or \$1,150 - Natick Senior Property Tax Exemption	\$1,150	\$1,150	\$1,150

Benefits to Homeowner

Total credits	Circuit Breaker Credit + Natick Senior Property Tax Exemption	\$2,300	\$2,300	\$2,300
Net taxes	Real estate taxes paid - Circuit Breaker Credit - Natick Senior Property Tax Exemption	\$6,399	\$6,616	\$6,839

Natick Senior Property Tax Exemption Costs for Residential Property Owners

Program Options - % of Residential Tax Levy	No Program	Example 1 (.3%)	Example 2 (.5%)	Example 3 (.7%)
FY21 Residential Tax Levy	\$100,287,220	\$100,287,220	\$100,287,220	\$100,287,220
Annual Program Cost	\$0	\$300,000	\$500,000	\$700,000
FY21 Residential Tax Levy after Annual Program Cost	\$100,287,220	\$100,587,220	\$100,787,220	\$100,987,220
Residential Tax Rate after Annual Program Cost	\$13.61	\$13.65	\$13.68	\$13.70
Increase in Residential Tax Rate	\$0.00	\$0.04	\$0.07	\$0.09
Average single-family home assessment	\$639,149	\$639,149	\$639,149	\$639,149
Average Single-Family Tax after Annual Program Cost	\$8,699	\$8,724	\$8,744	\$8,756
Additional Tax for Average Single-Family Homeowner	\$0	\$26	\$45	\$58
# of Program Beneficiaries @ \$1,150	0	261	435	609

COMMENTARY

■ BENEFITS

- *Addresses recognized studies that Massachusetts seniors have a high level of economic insecurity, driven in part by high property tax burdens*
- *Assists low- and moderate-income senior homeowners by providing a new tax exemption to help them stay in their home;*
- *Uses existing state definition to determine eligible population*
- *Keeps seniors in their homes, which will help promote greater age diversity in Natick*
- *Maintains overall town taxes at current level and gives Select Board control over direct costs of subsidy by setting total cap*

■ FACTORS TO CONSIDER

- *Requires a minor redistribution in tax burden (some taxpayers subsidize others)*
- *Increases the workload of the Assessors Office and adds to the time constraints of the tax-rate-setting process, which require additional staff support*
- *Could reduce participation in the deferral program, which is not reliant on subsidies from other taxpayers.*
- *Difficult to estimate demand for program*