

Senior Property Tax Exemption Article – Oct. 15 Town Meeting

Westford Senior Property Tax Exemption

The proposed means-tested exemption is intended to help seniors with low income and assets pay no more than 10% of their income in property taxes.

The exemption for each applicant is capped at 50% of total property tax bill.

The total annual cost of the benefit for all recipients will be capped at .25% of the residential levy, or \$162,000 based on FY18 figures.

Goals

- Encourage seniors to take advantage of existing exemptions & the MA Sr. Circuit Breaker Tax Credit
- Provide additional relief for qualified seniors still paying over 10% of their income in property tax.

Background

Providing property tax relief for low-income seniors has long been a priority at both the state and local levels. Numerous programs have been created and adopted over the last few decades to help seniors stay in their homes. Most are based on federal poverty-level standards, which do not necessarily account for local living costs. Westford has generally adopted optional higher benefit amounts, as they became available from the state.

Since 2000, the MA Senior Circuit Breaker Tax Credit has set a long-term goal that low-income residents should not pay more than 10% of their income toward property tax.

Unfortunately, Social Security increases have been almost non-existent for the last decade, while food, health care, fuel, property taxes and other expenses have increased dramatically. Many seniors on fixed incomes have been caught in a financial squeeze.

A resolution at the 2017 Annual Town Meeting proposed the creation of a new exemption to help those who still pay more than 10% of their income toward property taxes. This proposal incorporates ideas that have been tested in other Massachusetts towns and proposed for state-wide use, and tailors the criteria to Westford's

demographics and goals. It adopts criteria with higher limits than existing exemptions, but lower than the current MA Senior Circuit Breaker Tax Credit limits.

It will help provide tax relief to some seniors who are not being reached by the current exemptions.

Criteria (Limit \$ are for FY18 and may change annually)

- Age 65 or older on July 1st
- Own and occupy the property on July 1st
- Westford resident for the past 10 years
- Received MA Senior Circuit Breaker Tax Credit
- Home Assessed Value Limit: 80% of median single-family residence (\$400,000)
- Income Limits: Based on fixed % of CB income limits
 - Single: \$39,900 (\$57,000 x 70%)
 - Married: \$51,600 (\$86,000 x 60%)
 - Head-of-Household (HoH): \$49,700 (\$71,000 x 70%)
- Asset Limits: Two times the 41C benefit limits
 - Single: \$109,749 (\$54,8897 x 2)
 - Married or HoH: \$150,966 (\$75,483 x 2)

Where Will the Money Come From?

The money to pay for this benefit as proposed, will be taken out of the Town's Overlay Account. Overlay is an amount of money raised each year within the levy limit that is used to provide for property tax abatements and exemptions. This method of funding does not require a tax shift or tax increase of any kind. The participation will be monitored throughout the first couple of years to determine if the annual allowance for overlay should be increased.

How Will the Exemption be Calculated?

Town Assessors will compute individual exemptions as follows:

EXEMPTION AMOUNT = TOTAL TAX – 10% OF INCOME* - SENIOR CIRCUIT BREAKER CREDIT - STATUTORY EXEMPTIONS RECEIVED

If needed, the exemption will be reduced to 50% of the total property tax bill.

*If the participation is greater than anticipated, the calculation will be changed to reduce benefits by increasing the target % of income for all applicants from 10% up to whatever percentage is necessary to stay under the .25% of levy.

Please see other side to view examples.

The Senior Exemption will be discussed and finalized at Board of Selectmen meetings before Fall Town Meeting.

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Sample Calculations. Example 1 represents the most likely scenario.

Examples 2 - 5 test some less likely extreme cases in the model.

Example 1 – Average Anticipated Income and Home Value – based upon COA Experience

Married Income \$35,000. Home Value \$350,000. Tax Bill Total \$5,663 (50% = 2,832)

Total Tax Bill	+	\$5,663	(16.2% of income)
Home Owner Pays 10% of Income	-	\$3,500	
Home Owner Pays Circuit Breaker Amt.	-	\$1,080	
Town Overlay Pays for Other Exemptions	-	\$ 0	
Resulting Westford Sr. Exemption Amount	=	\$1,083	(Not more than 50% of Tax Bill)

Example 2 – Low Income, Lower House Value, Eligible for other Exemption

Single Filer, Income \$25,931. Home Value \$326,900, Tax Bill Total \$5,289 (50% =2,645)

Total Tax Bill	+	\$5,289	(20.4% of income)
If Home Owner Pays 10% of Income	-	\$2,593	
Home Owner Pays Circuit Breaker Amt.	-	\$1,080	
Town Overlay Pays for Other Exemptions	-	\$2,000	Elderly – Clause 41C
Resulting Westford Sr. Exemption Amount	=	\$ 0	Taxes already reduced by other programs

Home Owner pays \$3,289 = 12.7% of income. [\$5,289 (tax) – 2,000 (41C)]

Net after CB (\$1,080): \$2,209 = 8.5% of income. This is below the 10% goal. No additional exemption needed.

Example 3 – Highest Married Income, Highest Home Value, Not eligible for other Exemptions

Joint Filer, Income \$51,600. Home Value \$400,000, Tax Bill Total \$6,472 (50% =3,236.00)

Total Tax Bill	+	\$6,472	(12.5% of income)
Home Owner Pays 10% of Income	-	\$5,160	
Home Owner Pays Circuit Breaker Amt.	-	\$1,080	
Town Overlay Pays for Other Exemptions	-	\$ 0	
Resulting Westford Sr. Exemption Amount	=	\$ 232	(Not more than 50% of Tax Bill)

Example 4 – Highest Single Income, Highest Home Value, Not eligible for other Exemptions

Single Filer, Income \$39,900. Home Value \$400,000. Tax Bill Total \$6,472 (50% =3,236)

Total Tax Bill	+	\$6,472	(16.2% of income)
Home Owner Pays 10% of Income	-	\$3,990	
Home Owner Pays Circuit Breaker Amt.	-	\$1,080	
Town Overlay Pays for Other Exemptions	-	\$ 0	
Resulting Westford Sr. Exemption Amount	=	\$1,402	(Not more than 50% of Tax Bill)

Example 5 – Low Income, High Home Value, Too Young for Other Exemptions, Benefit Capped at 50% of Tax Bill

Age 67. Single Income \$20,000. Home Value \$400,000. Tax Bill Total \$6,472 (50% = 3,236)

Total Tax Bill	+	\$6,472	(32.4% of income)
If Home Owner Pays 10% of Income	-	\$2,000	
Home Owner Pays Circuit Breaker Amt.	-	\$1,080	
Town Overlay Pays for Other Exemptions	-	\$ 0	
Resulting Westford Sr. Exemption Amount	=	\$3,392	>> Reduced to the 50% cap = \$3,236

Home Owner pays \$3,236 (50% of tax) = 16.2% of income.

Net after CB (\$1,080): \$2,156 = 10.8% of income. While this is \$156 above the 10% goal, significant help was provided.

Without the Westford Exemption, the home owner would have paid \$5,392 = 27% of income. [\$6,472 (tax) – 1,080 (CB)]