



# MEANS-TESTED REAL ESTATE PROPERTY TAX EXEMPTION

**Taxation Aid Committee**

## WHAT PROBLEM ARE WE TRYING TO SOLVE?

- Studies by various federal and state government agencies and private groups (Massachusetts Council on Aging, AARP, etc.) all agree it is better to have senior citizens (those age 65 and older) “age in place” – that is, remain in their homes.
- But, seniors across Massachusetts are having difficulty coping with rising property valuations and rising property tax bills.
- And, existing property tax exemptions for seniors (\$257.85 to \$1,000) don’t offer adequate relief. (Average property tax bill for those currently receiving senior exemption is \$5,385.21 this fiscal year.)

## OUR GOAL

Provide Mendon's senior homeowners with a method of property tax relief that is:

- Easy to understand
- Easy to provide
- Easy to administer
- Easy to apply for

## WHAT DOES “MEANS-TESTED” MEAN?

Applying some type of criteria to measure the sum of a person's assets to determine if he or she qualifies for a tax exemption.

It's nothing new. Many of the property tax exemptions available under Massachusetts General Laws require applicants to meet certain criteria, such as age, property ownership, income, length of residence in town, etc.

## DO OTHER COMMUNITIES OFFER THIS?

Yes.

More than a dozen communities in Massachusetts have sought and obtained special legislation to establish a mean-tested real estate property tax exemption.

There is no “standard” method for the exemption. Each community has designed its own method of offering it.

## HOW IS MENDON DOING IT?

By comparing and contrasting the ways other communities are doing it, we've been able to find a model used by Concord and Hopkinton that meets all 4 parts of our goal:

- Piggy-backing on the state's successful Senior Circuit Breaker Income Tax Credit.
- This tax credit is based on the actual real estate taxes paid on your principal residence.
- 100 Mendon residents received this credit in calendar year 2018.

## HOW DOES THE CIRCUIT BREAKER INCOME TAX CREDIT WORK?

The Massachusetts Department of Revenue has information at:

<https://www.mass.gov/service-details/senior-circuit-breaker-tax-credit>

<https://www.mass.gov/technical-information-release/tir-20-14-annual-update-of-real-estate-tax-credit-for-certain-persons>

## WHAT WE'RE PROPOSING

- Mendon voters approve asking state legislature to approve a “home rule” petition establishing the local exemption
  - If signed into law, Mendon voters would re-authorize it every three years
- Use the Circuit Breaker eligibility requirements as the “means test” requirements for Mendon’s exemption.
- People apply each year, just like other exemptions

## WHAT WE'RE PROPOSING (CONT'D)

- Select Board decides each year to base local exemption on a range of 50% to 200% of the Circuit Breaker Tax Credit
- All of Mendon's homeowners share the total cost of providing the exemption

## WHAT WOULD IT COST ME?

- If in place now, and 100 people received the exemption, the average Mendon residential taxpayer (\$446,000 valuation) would pay an additional \$26.76 (at 50%) to \$98.12 (at 200%) on their annual property tax bill.
- Cost per \$1,000 of assessed value in Fiscal Year 2021:
  - 50% of Circuit Breaker = 6 cents
  - 100% of Circuit Breaker = 11 cents
  - 150% of Circuit Breaker = 17 cents
  - 200% of Circuit Breaker = 22 cents

## HOW MUCH EXEMPTION WOULD A MENDON SENIOR RECEIVE?

- Income Tax Year 2020 circuit breaker credit maximum = \$1,150
- At 50%-200%, local exemption ranges from \$575 to \$2,300
- Combine with the circuit breaker credit of \$1,150 and you have from \$1,727 to \$3,350 available to offset property taxes
  - Seniors get income tax credit even if they lack enough income to file a state income tax return. State sends them a check, versus a credit on taxes due.

## DO I GET A SAY IN THIS?

- Yes. Mendon's voters get to approve this program as follows:
  - You vote to ask the state legislature to enact a home rule petition
  - Once it is in place, you vote every three years at Annual Town Meeting whether to continue it

## WHY SPREAD IT ACROSS ALL RESIDENTIAL TAXPAYERS?

- Tax abatements and exemptions are paid for out of the “Assessors’ Overlay” account.
  - This account is funded by taxpayers and the cost of it is included in your tax bills now.
  - Funding the means-tested exemption would mean increasing the overlay account substantially. Under the Proposition 21/2 tax cap, doing that would mean less money is available to fund all other town services.
  - Allocating the means-tested exemption’s cost across all residential taxpayers means that funding for town services is not affected and that residents know the true cost of providing this exemption.

## WHAT'S THE SCHEDULE FOR THIS?

- March, 2021: Select Board votes to put article on Annual Town Meeting warrant
- May, 2021: Mendon voters say “Yes” at Annual Town Meeting
- June, 2021 – June, 2022: State Legislature considers and approves home rule petition; Governor Baker signs it into law
- August, 2022: Assessors take first applications for exemptions

## SCHEDULE (CONT'D)

- September, 2022: Assessors evaluate applications
- October, 2022: Select Board approves percentage for exemption
- November, 2022: Select Board holds annual Property Tax Classification Hearing (when Fiscal Year 2023 tax rate is known)
- December, 2022: MTREPTE is applied to FY 2023 third-quarter “actual” tax bills

## DOES IT MEET OUR GOAL?

Easy to understand

- ✓ Based on Senior Circuit Breaker Income Tax Credit

Easy to provide

- ✓ Cost applied across all residential property owners

## DOES IT MEET OUR GOAL? (CONT'D)

Easy to administer

- ✓ Assessors treat like any other exemption
- ✓ Select Board has one extra vote each year
- ✓ Assessors have one extra calculation for Classification Hearing

Easy to apply for

- ✓ A simple application form and the same paperwork used to apply for the state's Circuit Breaker income tax credit

## SUGGESTION

“**M**eans-**T**ested **R**eal Estate Property Tax Exemption” (MTREPTE) is a mouthful.

- How about calling it “METER” to keep up electrical “Circuit Breaker” analogy going?

