



City of Newburyport Senior Tax Relief Proposal (Clause 41C½)

April 29, 2019

What is Clause 41C½?

*Clause 41C½ of Massachusetts General Laws,
Chapter 59, Section 5*

- Unlike other local option property tax exemptions, Clause 41C½ is accepted at a regularly scheduled municipal election, and
- Is five percent of the average assessed value of residential parcels in the city or town, rather than a fixed dollar amount.

Eligibility

- 70 Years or Older (Option to lower to 65)
- Domiciled in MA for 10 consecutive years
- Ownership/occupancy in MA for any 5 years
- Income limit of \$58,000 for single owner, \$73,000 for head of household, \$88,000 for married couple (tied to “Circuit Breaker”)
 - Includes income of any other household members
- No asset limit

How to Apply

- Taxpayer files application with Assessor's Office each fiscal year by April 1st
- One application (4 pages) covering all statutory exemptions

State Tax Form 96 Revised 7/2017	The Commonwealth of Massachusetts _____ Name of City or Town	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 12.5%;">17</td> <td style="width: 12.5%;">22</td> <td style="width: 12.5%;">37</td> <td style="width: 12.5%;">41</td> <td style="width: 12.5%;">42&43</td> </tr> <tr> <td colspan="5" style="text-align: center;">Assessors' Use only</td> </tr> <tr> <td colspan="5">Date Received _____</td> </tr> <tr> <td colspan="5">Application No. _____</td> </tr> <tr> <td colspan="5">Parcel Id. _____</td> </tr> </table>	17	22	37	41	42&43	Assessors' Use only					Date Received _____					Application No. _____					Parcel Id. _____				
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SENIOR -- SURVIVING SPOUSE OR MINOR -- VETERAN -- BLIND
 FISCAL YEAR _____ APPLICATION FOR STATUTORY EXEMPTION
 General Laws Chapter 59, § 5

THIS APPLICATION IS NOT OPEN TO PUBLIC INSPECTION
 (See General Laws Chapter 59, § 60)

Return to: Board of Assessors

Must be filed with assessors on or before April 1, or 3 months after actual (not preliminary) tax bills are mailed for fiscal year if later.

INSTRUCTIONS: Complete all sections that apply. If you qualify under more than one category, you will receive the exemption that provides the greatest amount of assistance. Please print or type.

A. IDENTIFICATION. Complete this section fully.

Name of Applicant _____			
Telephone Number _____		Marital Status _____	
Legal Residence (Domicile) on July 1, _____		Mailing Address (if different) _____	
No. _____	Street _____	City/Town _____	Zip Code _____
Location of Property: _____			No. of Dwelling Units: 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> Other _____
Did you own the property on July 1, _____? Yes <input type="checkbox"/> No <input type="checkbox"/>			
If yes, were you: Sole Owner <input type="checkbox"/> Co-owner with Spouse Only <input type="checkbox"/> Co-owner with Others <input type="checkbox"/>			
Was the property subject to a trust as of July 1, _____? Yes <input type="checkbox"/> No <input type="checkbox"/>			
If yes, please attach trust instrument including all schedules.			
Have you been granted any exemption in any other city or town (MA or other) for this year? Yes <input type="checkbox"/> No <input type="checkbox"/>			
If yes, name of city or town _____		Amount exempted \$ _____	

DISPOSITION OF APPLICATION (ASSESSORS' USE ONLY)

Ownership <input type="checkbox"/>	GRANTED <input type="checkbox"/>	Assessed Tax \$ _____
Occupancy <input type="checkbox"/>	DENIED <input type="checkbox"/>	Exempted Tax \$ _____
Status <input type="checkbox"/>	DEEMED DENIED <input type="checkbox"/>	Adjusted Tax \$ _____
Income <input type="checkbox"/>		
Assets <input type="checkbox"/>		
Board of Assessors		
Date Voted/Deemed Denied _____		
Certificate No. _____		
Date Cert./Notice Sent _____		
Exemption: Clause _____		Date: _____

FILING THIS FORM DOES NOT STAY THE COLLECTION OF YOUR TAXES
 THIS FORM APPROVED BY THE COMMISSIONER OF REVENUE

Exemption Amount

	%	Exemption Amount (Minimum)	Exemption Amount (Maximum)
<div>% Set by City Council</div>	5%	\$332	\$663
	6%	\$398	\$796
	7%	\$464	\$928
	8%	\$531	\$1,061
	9%	\$597	\$1,194
	10%	\$663	\$1,326
	11%	\$729	\$1,459
	12%	\$796	\$1,592
	13%	\$862	\$1,724
	14%	\$928	\$1,857
	15%	\$995	\$1,989
	16%	\$1,061	\$2,122
	17%	\$1,127	\$2,255
	18%	\$1,194	\$2,387
	19%	\$1,260	\$2,520
	20%	\$1,326	\$2,653

Exemption Amount

- Recommend starting program at 8%
- Base exemption amount of \$531 based on FY19 values, compared to \$500 currently offered through Clause 41C
- City adopted G.L. 59, § 5C½, which doubles exemption amount up to \$1,061, however:
 - Cannot make tax bill less than previous year
 - Cannot make tax bill lower than taxes owed on 10% of assessed value

Example – Mary

- Mary moved to Newburyport in 1974
- She lives alone and is 76 years old
- She has total annual income of \$40,000:
 - Social security: \$15,000
 - Company pension plan: \$20,000
 - Income from IRAs/savings: \$5,000
- Does not qualify for 41C
- Does qualify for CPA exemption
- Would qualify for 41C½ if adopted

Example – Mary’s Budget

	Per Year	Per Month
<u>Housing</u>		
Utilities	\$4,000	\$333
Taxes	\$6,000	\$500
Maintenance/Repairs	\$7,500	\$625
Insurance	\$1,500	\$125
Total Housing	\$19,000	\$1,583
Transportation	\$6,000	\$500
Cable/Phone	\$2,500	\$208
Out-of-pocket Medical/Dental	\$3,000	\$250
Food	\$6,000	\$500
Clothing	\$1,500	\$125
Other Expenses	\$1,500	\$125
Total	\$39,500	\$3,292
<i>Amount Remaining for Discretionary Purposes (Leisure, Gifts, Travel, etc)</i>	<i>\$500</i>	<i>\$42</i>

Example – Mary's Taxes Year 1

- Mary applies for and is granted a 41C½ exemption of \$531 for FY19
- Mary's home is assessed at \$470,000 resulting in a total tax bill of \$6,148 at current tax rate
- After the \$531 exemption, she owes \$5,617
- Her net tax payment last year was \$5,956
- Since the \$531 exemption brings her tax bill lower than last year, she does not qualify for any additional exemption beyond that
- Net tax bill is $\$6,148 - \$513 = \underline{\$5,617}$

Example – Mary's Taxes Year 2

- Mary applies for and is granted a 41C½ exemption of \$545 for FY20
- Mary's FY20 total tax bill is \$6,300
- After the \$545 exemption, she owes \$5,755
- Her net tax payment last year was \$5,617
- Mary receives base exemption of \$545 plus
- Additional exemption of \$138 ($\$5,755 - \$5,617$)
- Net tax bill is $\$6,300 - \$545 - \$138 = \underline{\underline{\$5,617}}$

Example – Mary's Taxes Year 3

- Mary applies for and is granted a 41C½ exemption of \$560 for FY21
- Mary's FY21 total tax bill is \$6,450
- After the \$560 exemption, she owes \$5,890
- Her net tax payment last year was \$5,617
- Mary receives base exemption of \$531 plus
- Additional exemption of \$273 (\$5,890 - \$5,617)
- Net tax bill is \$6,450 - \$560 - \$273 = \$5,617

As taxes increase, Mary receives a greater amount of the additional exemption

Current Assistance Available to Seniors

- Clause 17D (Surviving Spouse & Elderly)
 - Base exemption of \$241 for seniors 70+ with assets <\$54,985
 - # Granted in FY18: 9
- Clause 37A (Blind)
 - Base exemption of \$500 for legally blind
 - # Granted in FY18: 11
- Clauses 22-22E (Veterans)
 - Average exemption of \$2,265
 - # Granted in FY18: 97

Current Assistance Available to Seniors

- Clause 41A (Deferral)
 - Allows owners 65+ to defer with income \$58,000 to defer property tax payments
 - City becomes first lien holder on property
 - # Granted in FY18: 1
- Clause 41C (Seniors) – would be replaced by 41C½
 - Base exemption of \$500 for owners 65+
 - Income less than \$35,488 (single) or \$53,232 (married) and assets less than \$52,416 (single) and \$72,072 (married)
 - # Granted in FY18: 47
- CPA Exemption
 - Exempts full CPA surcharge for owners 60+ with income limit of \$75,500 for 1 person and \$86,200 for 2 people
 - # Granted in FY18: 234

Current Assistance Available to Seniors

- Tax Work-Off Program
 - Assistance up to \$1,500 (125 hours at \$12/hr)
 - Homeowners 60+ with income less than Newburyport median income (\$85,556)
 - # Participants in FY18: 60
- State “Circuit Breaker” Program
 - Reduction to state income tax bill
 - \$1,100 max. credit
 - Income limits of \$58,000(single)/\$88,000(married)
 - Assessed value <\$778,000

Tax Relief Alternatives

Alternative	Keep 41C As-is	Increase 41C	Adopt 41C½	State Legislation / Home Rule Petition
Clause	41C	41C	41C½	Means tested senior tax exemption ("Sudbury model")
Exemption	<u>\$500 to \$1,000</u>	<u>\$1,000 to \$2,000</u>	<u>\$531 to \$1,061</u>	
Minimum Age	<u>65</u>	<u>65</u>	<u>70</u>	
Estimated # Exemptions	47	47	200	
Gross Cost	\$41,501	\$83,002	\$187,381	tax shift/ unknown
State Reimbursement	(\$23,500)	(\$23,500)	(\$100,000)	\$0
Net Cost to City	\$18,001	\$59,502	\$87,381	tax shift/ unknown
Net Cost per Exemption	\$383	\$1,266	\$437	n/a
Pros	Helps those 47 homeowners in greatest need; Lowest budget impact	Helps those 47 homeowners in greatest need	Helps ~150 more homeowners	Has income and asset limits; not funded from overlay
Cons	Helps fewer residents than 41C½; Lowest exemption; Low state reimbursement	Helps fewer residents than 41C½; Low state reimbursement; +\$41,501 cost	No asset limit; +\$67,082 cost; Difficult to revoke (must hold election); Only two towns utilize this clause	No state reimb; shifts tax burden onto ineligible residents; lengthy process to establish; difficult to administer; assets are self-disclosed

Recommendation

- Place 41C½ on November 2019 ballot
- Establish following requirements:
 - Keep minimum age at 70 years (default)
 - Income Limit: Set limit based on household rather individual income with limits tied to Senior Circuit Breaker Program
 - Taxpayers < 70 years old currently receiving 41C exemption will continue to receive exemption under Clause 18 (approximately 5 impacted)

Appendix A: Massachusetts General Laws, Chapter 59, Section 5, Clause 41C½:

Forty-first C 1/2, Real property, of an amount equal to 5 per cent of the average assessed value of all Class one parcels within the city or town of the principal residence of a taxpayer as used by the taxpayer for income tax purposes of a person who has reached his seventieth birthday before the beginning of the fiscal year for which an exemption is sought and occupied by the person as his domicile, or of a person who owns the same jointly with his spouse, either of whom has reached his seventieth birthday before the beginning of the fiscal year for which an exemption is sought and occupied by them as their domicile, or of a person who has reached his seventieth birthday before the beginning of the fiscal year for which an exemption is sought who owns the same jointly or as a tenant in common with a person not his spouse and occupied by him as his domicile if: (A) the person: (1) has been domiciled in the commonwealth for the preceding 10 years; (2) has owned and occupied the real property or other real property in the commonwealth for 5 years, or (3) is a surviving spouse who inherits the real property and has occupied this real property in the commonwealth for 5 years and who otherwise qualified under this clause; and (B) the taxpayer's gross receipts from all sources do not exceed the dollar amount calculated to be the income limits on a taxpayer's total income for a single individual who is not the head of a household for the purposes of paragraph (3) of subsection (k) of section 6 of chapter 62 for the most recently completed state tax year, as determined by the commissioner of revenue.

A city or town, by vote of its legislative body, subject to its charter, may adjust the exemption contained in this clause by: (1) increasing the amount of the exemption to as much as 20 per cent of the average assessed value of all Class one parcels within the city or town; (2) reducing the requisite age of eligibility to any person age 65 years or older; and (3) reducing the residency requirements to not less than 5 years; and (4) utilizing income limits on a household basis rather than on a single applicant basis for real estate tax exemptions.

This clause shall take effect in any city or town that votes to accept its terms at the next regularly scheduled municipal election for any fiscal year commencing on or after July 1, 2006. The question appearing on the official ballot shall be in the following form:

"Shall section ____ of the acts of ____ granting real estate property tax reductions to qualifying senior citizens be accepted?"

If a majority of the votes cast in answer to this question is in the affirmative, the clause shall take effect, but not otherwise.

In those cities and towns that accept this clause, clauses Forty-first, Forty-first B and Forty-first C shall not apply but any amount of money annually appropriated by the commonwealth for the purpose of reimbursing cities and towns for taxes abated under this clause, clause Forty-first, clause Forty-first B and clause Forty-first C shall be distributed as provided in said clause Forty-first.