




Home Rule Petition Senior Tax Relief – Reading & Wakefield

Victor P. Santaniello, MAA
Director of Assessments
Wakefield & Reading





Agenda

- Overview
- Genesis
- Research
- Blueprint
- Deliberations
- Execution & Implementation
- Lessons and Updates



Overview

For Fiscal Year 2018, Reading implemented a Senior Property Tax Relief program with legislative approval based upon the State's Senior Circuit Breaker Income Tax Credit.



Genesis

Reading was facing a structural deficit to be corrected via an override.

While the amount was up for debate, a consistent theme in community discussions was senior tax relief.

I was tasked with research and recommendations.



Research

Both Sudbury and Wayland had innovative programs for Senior Tax Relief. So, I contacted:

Ellen Birdeau of Wayland &
Cynthia Gerry of Sudbury

I can't thank them enough for their candor and assistance!



Wayland

Straightforward Application

Based on the Senior CB Income Tax Credit

Local review to determine qualification

Exemption funded by Overlay



Sudbury

Very comprehensive

Internal review of tax info to determine qualification and level of compensation

Tax relief funded through a shift of the residential tax rate



Considerations

Wayland much easier but funded by the overlay which Reading could not do.

Sudbury – local means test might mean added staff, longer approval process and a more difficult public information campaign.

But, funded by the residential class was appealing.



Considerations Cont'd.

- No Additional Staffing
- No cost to the town
- Easy to understand
- Pass State & DOR Muster

There were the 4 corners of our tax relief plan.



Blueprint

- Shift in the Residential Class
- Based solely on Senior Circuit Breaker Income Tax Credit
- No Local Means Test – We felt that the CB was already a state approved means test so why reinvent the wheel.

Research Tools

- <http://www.mass.gov/dor/tax-professionals/news-and-reports/senior-circuit-breaker-usage-report-by-town/>
- 645 people received a CB Credit
- Report also includes qualified renters too
- Looking at Wayland and Sudbury, about 1/3 qualified for the local exemption so I used that as a baseline (210 people)

Circuit Breaker Eligibility

- 65 by December 31st
- File a MA income tax return
- Own or Rent and Occupy in MA as primary residence
- \$61K Single non HOH - \$76K HOH - \$92K Married Joint Filers (2020)
- Owner – Property Tax Payments with half of water & sewer must exceed 10% of their income.
- Property Value cannot exceed \$848,000
- Renter – 25% of annual rent must exceed 10% of your total income.



More Considerations

- Residency Requirement – 10 years own and occupy a home in Reading.
- No Other Significant Assets beyond the intended pool of recipients.
- Derivative of Individual's CB Credit – A range from $\frac{1}{2}$ up to double the exemption amount. We did this because we couldn't accurately predict how many we would get.



Options Table is Your Friend

- Developed 3 scenarios of compensation levels.
- One Half – 100% CB Match – Double CB Credit
- Use the Residential Exemption Module to affect Residential Shift.
- Manipulate the parcel counts and percentage until you arrive at the valuation for the tax dollar amount you need to shift.

Application & Timeline

- Simple & Straightforward Application (mostly stolen from Wayland!)
- All the usual Q's to establish eligibility and signed 'Under the Pains and Penalties of Perjury.'
- August 1st through 31st for applications. We did this because we need hard numbers in order to determine the residential shift and a possible CIP shift as well. Now 8/1 to 9/30!

BOS Meeting

- We had a plan and they liked it!
- However, they did talk for hours about it!
- At one point my TM said to me, “what did he say?” My response was that I stopped listening 37 minutes ago!
- I did speak about unintended consequences of too much tax relief since the CB credit is based on % of income paid toward local property tax.



Town Meeting

- Fall Town Meeting – Representative TM
- Motion made to make it 20 years residency was shot down.
- Couple of people spoke about the residential tax base having to pay.
- Strong statements in favor of helping seniors age in place.
- Overwhelmingly passed TM



State Approval

- We met with our state legislative delegation and impressed that we would like to have this approved unaltered.
- About 6 to 8 weeks later it was approved

Sell Assessor! SELL!!

- Information session with BOS
- Cable TV Dog and Pony Show at the Senior enter, twice!
- Several local newspaper articles
- Updated Website
- Letter to Taxpayers in the August 1st tax bill!
- Short of knocking on every door, we used every means available to get the word out.



August – Applications Roll In

- Simple One Page Application
- Asked for the public's patience as this was new to us too
- We rapidly became familiar with income tax docs to determine eligibility
- Logged all applications and CB amounts with stage of approval
- Trust Docs were reviewed to determine eligibility
- 195 applied and 183 were approved. Some trusts didn't qualify

Pre-Classification w/ BOS

- We presented all 3 scenarios with actual numbers.
- Gave the average % of tax relief and effect on the tax rate.
- Since the BOS was contemplating a small CIP shift to proportionally share in senior tax relief, they had a discussion of a CIP shift at 1.0028! I will never get those hours of my life back!!! The BOS has since agreed to a 1.02 CIP shift.
- After all was said and done, they seemed to agree on 100% CB match and a small proportional CIP shift to equalize the tax rate



Classification – Things Change

- After my briefing, the BOS suddenly moved to double the tax relief!
- I urged them not to right out of the gate!
- I talked about Unintended Consequences of such an action because the CB Income Tax Credit is based in part on what they pay for RE taxes!
- They didn't listen!

Classification Cont'd

- Fortunately I had all my materials with me from prior meetings so I had the Rex Ex factors and MRF.
- But, I had to calculate an MRF on the fly to proportionally shift some tax relief to the CIP classes.
- I kept ranting and raving about the unintended consequences!
- Before the end of the meeting, I banged out a new LA-5 for them to sign.



Classification Hangover!

- The next day, BOS members called me wanting to hold another hearing to change their votes.
- I told them that adding 3 more weeks to the tax rate approval process could not be done.
- We would jeopardize timely tax rate approval.



Results

- 183 Seniors received an average of \$1,979 off of their tax bills.
- Savings was 30% on average.
- Added \$0.08 to the Residential Tax Rate
- Added \$0.12 to the CIP Tax Rate



Lessons

- I broke my own rule, never give someone a role in something that they don't normally have a hand in!
- If you do this, state the reimbursement in the home rule petition!
- Seniors can get very angry when they get less!
- Some will qualify one year and not the next or get less
- Assessors are not income tax preparers!



Updates

- After year 1, the Reading BOS agreed to a rebate of 150% and a CIP shift of 1.02 which enabled us to extend the application process to August and September.
- Our subsequent home rule petition fixed the refund at 150%
- Wakefield filed in 2018 and it took 2 years to be approved!
- Wakefield refund is 100%. Cost to taxpayers was \$25
- Helped 162 Seniors in Wakefield as we implemented the program during the pandemic!
- Working with State Delegation to make this a local option.