Selectmen’s Senior Tax Committee
Room 111, Town Hall
April 5, 2017

Members of the Committee in Attendance: Ben Franco, Harold Peterson, Susan Granoff, Neil Gordon, Sandy Spector, Jeff Kushner, Frank Caro

Members of the Committee absent: None

Others Present: Gary McCabe (Chief Assessor and Chairman of the Board of Assessors), Yolanda Rodriguez, and Rhoda Goodwin

The meeting began at 6:40 PM.

Selectman Ben Franco chaired the meeting.

Minutes of the March meeting were unanimously approved with minor amendments.

Ben Franco provided an overview of the Massachusetts Circuit Breaker program. Through the Department of Revenue, the state of Massachusetts administers a tax credit program for qualifying seniors whose principal residence is in MA. Ms. Granoff provided information on eligibility criteria and the amount of the credit. The age of eligibility is 65. Both owners and renters of residential properties are eligible. Those whose real estate tax exceeds 10% of total income are eligible. Annual adjustments are made in some eligibility criteria. In 2016, the income ceiling for eligibility was $57,000 for a single filer. In 2016, the assessed value of the property could be no more than $720,000. The maximum tax credit provided by the program was $1,070.

Ms. Granoff reported that in a recent year, 335 Brookline residents claimed the benefit. The Brookline numbers have fluctuated from year to year. The trend has been for fewer claimants from Brookline over time. Ms. Granoff attributes the decline to increases in assessed property values in Brookline. With property values increasing at a higher rate in Brookline than in the state as a whole, more Brookline seniors fail to qualify on the basis of assessed value of their real estate.

We had some discussion about the implications of “shielded assets,” that is, trusts, for eligibility for property tax relief.

Frank Caro called attention to a background paper on property tax circuit breakers issued by the Lincoln Institute of Land Policy. The report indicates that many states use circuit breakers to provide targeted relief from the financial burdens imposed by property taxes. In some cases, people of all ages are eligible for this form of tax relief. Programs also vary in the amount of relief that they provide. If Brookline were to offer a circuit breaker program of its own, it might look beyond Massachusetts for precedent in selecting features of its program.
Susan Granoff reported on the circuit breaker program in Sudbury, MA. Sudbury is a Boston suburb with a population of 18,000. Sudbury is similar to Brookline in the proportion of its population 65 and over. Sudbury does NOT offer property tax relief through a residential exemption program. After several years of study, Sudbury approved its own circuit breaker program in 2012. The program became operational in 2014.

Ms. Granoff described the key features of the Sudbury program. In many respects, the Sudbury program is keyed to the MA circuit breaker program. Like the MA program, the Sudbury program is designed for those whose property tax burden exceeds 10% of income. The potential benefits go beyond the MA program. Notably, some residents qualify for several thousand dollars in benefits annually. In 2014, an estimated 240 households were eligible. Applying households totaled 124; 118 were determined to be eligible. The maximum benefit was $6,100. The median age of beneficiaries was over 80. The median income of qualifying households was $37,000. Sudbury finances the program by passing along costs to all those who pay property taxes. The total cost to the Town was $289,000 or about .4% of the Town’s annual budget. The average cost to property owners was $45. Sudbury has also reported information on participation for 2015. In a referendum after implementation, Sudbury voters overwhelmingly approved continuation of the program.

Ms. Granoff reported on her estimates for Brookline of adopting the Sudbury program. She estimates that 400 households might qualify. She estimates the annual cost to be approximately $840,000 based on an average benefit of $2,100. Ms. Granoff estimates that program would cost the median owner of a single-family home $55 per year and a typical condominium owner $22 per year. Ms. Granoff estimates that the program would have minimal implications for Brookline renters. Harold Peterson questioned the accuracy of her estimate of implications for renters and recommended recalculation of the forecast.

Mr. McCabe raised a question about the extent to which eligible Brookline residents would apply. He noted that in Sudbury the proposal was studied for several years before it was proposed. Because of the publicity, eligible property owners may have been well informed about the program. Mr. McCabe is concerned that eligible Brookline residents would not take full advantage of the program.

Jeff Kushner argued that the property tax deferral program is more efficient than property tax reduction programs in assisting seniors with inadequate income. The deferral program allows senior home owners to defer all of their property tax. Mr. Kushner believes that the prime beneficiaries of property tax relief programs like the Sudbury circuit breaker program are the heirs of home owners.

Harold Peterson reported that on the basis of his analysis, qualifying senior homeowners can defer all of their property taxes for the rest of their lives. A further advantage of tax deferral programs is that over time they are cost neutral for municipalities (if interest rates are set to be neutral).
Susan Granoff raised concerns about the effect of tax deferral programs on credit ratings of participants. Like home equity and reverse equity loans, tax deferrals result in alien placed on the property. Ms. Granoff believes that credit rating organizations reduce credit ratings when there is a tax lien on a property. The consequence is that those with lower credit ratings have greater difficulty in borrowing for other purposes. Ms. Granoff argued in favor of modest property tax relief for seniors so that they can avoid compromising their credit ratings.

The committee discussed tax relief through residential exemptions. Brookline’s residential exemption program is popular because it benefits many homeowners. However, the program is inefficient as a vehicle for assisting those with great financial need because the program is not income conditioned. The residential exemption program benefits people of all ages. The residential exemption program benefits not seniors but also young families with modest means who have recently purchased a home in Brookline. Neil Gordon emphasized the financial challenges faced by young families who have recently purchased a residence in Brookline.

Yolanda Rodriguez and Rhoda Goodwin presented their proposal for a program that would exempt property owners who are over 80 years of age and who have lived in Brookline continuously for at least 20 years from increases in taxes resulting from over-rides. These home owners would continue to pay taxes only on the regular 2.5% annual increases in taxes. The program would not be means tested. Ms. Rodriguez and Ms. Goodwin are seniors who would benefit from the proposal. They have owned homes in Brookline for many years, want to continue to live in their homes for the rest of their lives, and want to pass their homes on to their children. They have substantial expenses in maintaining their older homes. They are concerned that if they were to participate in the tax deferral program, their heirs would have to sell the homes to pay off the deferred taxes.

Gary McCabe reported that 450 homeowners in Brookline would qualify for the program proposed by Ms. Rodriguez and Ms. Goodwin. The estimate is based on characteristics of participants in the residential exemption program.

Committee members raised multiple concerns about the Rodriguez-Goodwin proposal. The program would include benefits for high income home owners who can afford to pay for overrides. Further, the major beneficiaries would be heirs of current owners. Included among those who would be paying for the program would be other property owners who were struggling financially. The Committee is sympathetic to the aims of Ms. Rodriguez and Ms. Goodwin, but questions why property owners throughout Brookline should finance a program that primarily benefits the heirs of eligible home owners.

An advantage of the Rodriguez-Goodwin program would be the relative ease of determining eligibility. However, calculation of annual tax obligations for participants might present a challenge for the Town.

Gary McCabe reported briefly on two other property tax relief programs. One is a tax deferment program in Boston for those who have lived in their homes for at least 10 years.
Participants may defer a maximum of 10% of their taxes. The other is Brookline’s current residential exemption program. The program is not means tested nor is it age-based. Once home owners qualify, there is no need for reapplication.

At the May meeting, the committee will address questions about the implications of tax deferral for credit ratings. Jeff Kushner volunteered to seek information on this matter.

Ben Franco proposed that the committee attempt to establish more clearly the problem that it is attempting to address and to determine what the committee hopes to accomplish.

At the May meeting, the committee will give attention to the tax deferral program. The committee will continue to consider lowering the interest rate charged to participants. The committee will also examine various other measures that might increase participation in the program.

The committee will also give more attention to the possibility that Brookline may adopt some aspects of the Sudbury circuit breaker program.

The meeting was adjourned at 8:43 PM.

Minutes prepared by Frank Caro