2012 Tax Relief for the Elderly Ordinance

General and Administration Sections

Section 1. The Town of Easton amends and restates the ordinance relating to tax relief for elderly homeowners, adopted pursuant to Section 12-129n of the Connecticut General Statutes for eligible residents of the Town of Easton, on the terms and conditions provided herein. This ordinance is enacted for the purpose of assisting elderly homeowners with a portion of the costs of property (real estate) taxation.

Section 2. No later than August 15th of every third year commencing 2011, or more frequently at the discretion of the Board of Selectmen, the Board of Selectmen shall appoint a committee of not less than five (5) resident taxpayers of the Town of Easton which shall undertake and complete within one hundred eighty (180) days following such appointment, or such longer time as the Board of Selectmen shall authorize, a study and investigation with respect to property tax relief for the elderly and, on the basis thereof, prepare a report to the Board of Finance which report shall include the following:

1. With respect to the previous three (3) years, the fiscal effect of such property tax relief on property tax revenues for such years for the Town of Easton, and
2. Recommendations with respect to the form and extent of such property tax relief for the following three years, including estimates of the effect annually of recommended tax relief on property tax revenues.

Section 3. After receiving the report from the Committee on Tax Relief for the Elderly, the Board of Finance shall provide such comments on the recommendations, as it deems appropriate. The Committee on Tax Relief for the Elderly shall consider the comments of the Board of Finance and shall, to the extent deemed necessary and appropriate by such Committee, present revised recommendations to the Board of Finance. When the Board of Finance is satisfied with the recommendations of the Committee, the Board of Finance shall recommend the plan for adoption by the Town at a Town Meeting to be scheduled by the Board of Selectmen. The Town Meeting shall, by majority vote, approve or reject the recommended plan, but shall not amend the plan. If approved, the plan shall remain in effect until such time as a new recommended plan is approved by the Town Meeting. If rejected, a new Committee on Tax Relief for the Elderly that may, but need not, contain members of the preceding Committee on Tax Relief for the Elderly, shall be convened. Until such time as a new plan for tax relief for the elderly shall be adopted by the Town Meeting, the then current plan shall remain in effect.

Section 4. This ordinance may, but need not be, amended and restated in its entirety in the future. It shall be sufficient to submit as an amendment to the ordinance the provisions of the recommended or approved plan.

Section 5. Under no circumstances shall tax relief provided under this ordinance result in a benefit to the estate of a deceased taxpayer and to the eligible surviving spouse that would be separately, or together, greater than the deceased taxpayer would have received if such deceased taxpayer had lived.

Section 6. If any person entitled to the tax relief pursuant to this ordinance transfers the property on which relief is granted, such tax relief shall be prorated as of the date of transfer of title and the transferee of such property shall pay the Town a prorated share of the tax relief as provided by Section 12-81a of the Connecticut General Statutes.

Section 7. Tax relief under this ordinance shall be allowed only once per year for each eligible principal residence. In any case where title to such real property is recorded in the name of an eligible applicant (including such applicant's spouse) and any other person or persons, the tax relief shall be prorated so as to allow tax relief equivalent to the fractional share of ownership in the property of such eligible applicant (including such applicant's spouse). In any case where such real property is a multiple family dwelling and is occupied by the eligible applicant (including such applicant's spouse) and any other person, the tax relief shall be prorated so as to allow tax relief equivalent to the fractional portion occupied by such eligible applicant (including such applicant's spouse). The Assessor shall determine the proration amount in a multiple family situation.

Section 8. The total of all tax relief granted under this ordinance shall not exceed an amount equal to four (4%) percent of the total real estate property tax assessed for the town in the preceding tax year, and if such relief would exceed such amount, it shall be prorated to keep the total amount of Town tax relief within such four (4%) percent.

Section 9. The Town of Easton shall not place a lien on any property for which tax abatement is granted under this ordinance in any amount by reason of the granting of such abatement. However, the terms of this section will not in any way affect the right of the Town of Easton to have a lien on such property pursuant to any tax deferral granted under this ordinance or pursuant to any section of the Connecticut General Statutes other than Section 12-129n.

Section 10. This ordinance shall apply to real property taxes as are due and payable commencing the fiscal year beginning July 1, 2012 and succeeding fiscal years.

Section 11. In accordance with Section 7-157, Connecticut General Statutes, this ordinance, upon its adoption, shall become effective 15 days after publication.

Section12. This section intentionally left blank.

Section 13. The invalidity of any word, clause, section or provision of this ordinance shall not affect the validity of any other part that can be given effect without such invalid part or parts.

Qualifications for Relief

Section 14. Any person who owns real property in the Town of Easton or is liable, by reason of life use, for payment of taxes thereon pursuant to Section 12-48 of the Connecticut General Statutes, and who occupies the property as a principal residence, shall be entitled on the annual taxes for such property as are due and payable for the fiscal year beginning July 1, 2012 to a credit against the real property taxes on such residence, based on the plan set forth in this ordinance. This program shall be offered to those persons qualifying even though their current taxes may be in arrears, provided that all of the following conditions are met:

(a) Such person was sixty-five (65) years of age or over on the December 31st prior to the fiscal year for which tax relief is sought, or his or her spouse was sixty-five (65) years of age or over on such December 31st and resides with such person, or such spouse was on such December 31st, sixty (60) years of age or over and the surviving spouse of a taxpayer who was qualified for tax relief under this ordinance at the time of his or her death;

(b) Such person, or such person's spouse, as described in subsection (a), shall have resided in the Town of Easton and paid taxes for a period of five (5) years immediately prior to the fiscal year for which tax relief is sought;

(c) The property for which the tax relief is sought must be the principal residence of such person, and such person's spouse (if any), for more than one hundred eighty-three (183) days of the fiscal year immediately prior to the fiscal year for which tax relief is sought; however, should the Applicant be confined to a skilled nursing home for 365 days or less but intends to return to the property, such person is entitled to tax relief.

(d) Such person or such person's spouse as defined in subsection (a) shall file with the Assessor an application in a form, acceptable to the Assessor, not later than May 15th of the year following the October 1 Grand list. The form shall require such information as the Assessor may reasonably require and shall be prepared by the Assessor subject to the approval of the Board of Selectmen.

(e) <u>MEANS TEST</u>, <u>LIQUID ASSETS</u>

In order to qualify, each household must certify that it has no more than $500,000 in liquid assets (i.e. cash, including bank accounts, and marketable securities but exclusive of IRS recognized retirement plans). The Assessor shall include the affidavit shown in Appendix A of this ordinance in each application form for tax relief.

(f) Before the tax benefit created by this ordinance or any portion thereof shall be given, such person must first apply for tax relief under any State statutes under which he or she is eligible.

(g) If in the Assessor's opinion the taxpayer does not qualify for tax relief, she/he may refuse relief. In the event of a question with respect to income or a claimed exemption of income, or deduction from income, not specifically referred to in this section, the Assessor or designee shall make a determination based upon the purposes of this ordinance. The Assessor may also refuse tax relief if there is a question as to whether or not any application is bona fide. Any person refused relief for any reason may appeal to the Board of Selectmen who may grant tax relief if in their opinion the Assessor has erred, or where the ordinance is not clear, or in case of extreme hardship or extraordinary circumstances.

(h) There shall be a three person Advisory Committee, appointed by the First Selectman, to assist in resolution of any problems which arise in administration of the Tax Relief Program, and to assist, if requested by the Selectman, in interviewing and making recommendations on taxpayer appeals to the Board of Selectmen.

Section 15. The Assessor or his or her designee shall determine the income of each applying taxpayer, as defined in Section 16 below. The Assessor or designee shall compile a list of all applying taxpayers whose income qualifies for tax relief. The Assessor or designee shall compute the amount of such relief.

Section 16. The purpose of this ordinance is to provide tax relief based upon an assessment of the Taxpayer's ability to pay taxes. Each applicant shall sign an affidavit certifying that the information provided with respect to such applicants' total income in the home is true and accurate to the best of the applicant's knowledge and other information as requested on the application form is true.

<u>Qualifying Household Income Calculation</u>

Section 17. "Qualifying Household Income" shall include the income of the taxpayer, taxpayer's spouse, and all other adults who reside in the household unless such other resident is a full-time student, a person receiving Social Security disability income, or a "renter". A "renter" is a resident of the household who (1.) is not related to the applicant (2.) pays "fair market rent" and (3.) the rental income is included in the applicant's 1040 tax return. Documentation required to determine a resident's income includes his or her income tax return for the prior tax year and documentation of healthcare and healthcare insurance premium expenses.

If Qualifying Household Income is over the amount shown in Table 1 for "Maximum Income" the taxpayer shall not be entitled to a tax credit.

Table 1 – Income Limits and Abatement Calculation Values			
IRS Tax Year	Town Fiscal Year	Maximum Income	Maximum Tax Credit
2011	2012 - 2013	$85,000	42.0%
2012	2013 – 2014	$85,000	42.0%
2013	2014 - 2015	$85,000	42.0%

Income of each resident shall be calculated as follows:

#	Income Item	Definition
1	IRS Adjusted Gross Income	AGI as shown on Line 37 of IRS Form 1040 or Line 21 of Form 1040A
2	Add: Federal Tax Exempt Interest	IRS Form 1040 line 8b
3	Add: The portion of Social Security benefits exempt from taxation	IRS Form 1040 line 20a – 20b
4	Add: Other Non-Taxable income, if any.	Any other income or funds received and not reported as taxable income on the 1040, including but not limited to, all IRA distributions, pensions, and annuities.

#	Income Item	Definition
5	Less: ½ of all out of pocket health insurance premiums	Medicare Parts B,C,D, Medicare supplement insurance, other private healthcare insurance and long term health care insurance. (Not including the amount in 1040 Line 29)
6	Less: Medical Expenses	From IRS Form 1040 Schedule A (less the amount in Line 5 above) in excess of 20% of the balance of income calculated resulting from Lines 1 to 5 herein.

Tax Abatement

Section 18. Subject to all other limitations contained in this ordinance, the tax abatement provided under this ordinance for the Town of Easton fiscal years 2012/13, 2013/14 and 2014/15 (and for future years if this ordinance remains in effect pursuant to Section 3), shall be based upon the Qualifying Household Income of an eligible applicant as follows:

(a) The Tax Credit shall be a maximum percentage (as shown in Table 1) of taxes due at zero income on a straight declining line to a lesser percentage of taxes due calculated via the Tax Abatement Formula using values from Table 1. Each such person shall receive a credit determined on the basis of the formula shown in Section 19.

(b) The Tax Credit will be rounded to the nearest dollar.

(c) In no case shall the tax credit exceed the Maximum Tax Credit percentage of the taxes due from Table 1 x Percentage of ownership.

(d) The tax abatement provided under this ordinance to a resident or residents shall, in no event, together with any relief received by such resident or residents under the provisions of Section 12-129b to 12-129d, inclusive, exceed in the aggregate seventy-five (75%) percent of the tax which would, except for Sections 12-129b to 12-129d, inclusive, and this ordinance, be laid against such resident or residents. Where the aggregate relief provided exceeds seventy-five (75%) percent, such resident or residents will receive only that portion of such tax relief equal to seventy-five (75%) percent of the tax due.

Tax Abatement Calculation

Section 19. Tax Abatement shall be calculated as follows:

Basis
Tax Abatement is based on the following:

- Taxpayer's total prior year qualifying income
- Real Estate Taxes due in the previous tax year
- Percentage Ownership
- Maximum tax credit from Table 1
- Maximum Income qualifying for Tax Abatement from Table 1

Tax Abatement Formula
Tax Abatement = Maximum Tax Credit x Ownership Taxes Due x Income Multiplier

Maximum Tax Credit is:	from Table 1
Property Taxes Due are:	Assessed Value x Mil Rate
Ownership Taxes Due are:	Percentage Ownership x Property Tax Due
Income Multiplier is:	$\frac{\text{[Maximum Income - Qualifying Household Income]}}{\text{Maximum Income}}$

Example 1:

Maximum credit	= 42%
Ownership	= 100%
Last year's property taxes due	= $8,000
Last year's income	= $45,000
Income multiplier	$= \frac{[85{,}000-45{,}000]}{85{,}000} = 0.47$
Tax Abatement	= 0.42 x 1.0 x 8,000 x 0.47 = $1,579
Assume this year's taxes due	= $8,200
Taxes Due after Abatement	= $8,200 - $1,579 = $6,621

Example 2:

Maximum credit	= 42%
Ownership	= 50%
Last year's property taxes due	= $8,000
Last year's income	= $50,000
Income multiplier	$= \frac{[85{,}000-50{,}000]}{85{,}000} = 0.41$
Tax Abatement	= 0.42 x 0.5 x 8,000 x 0.41 = $689
Assume this year's taxes due	= $8,200
Taxes due on 50% ownership	= $4,100 (Co-owner pays the other $4,100)
Taxes Due after Abatement	= $4,100 - $689 = $3,411

The Tax Credit is rounded to the nearest dollar.

Tax Deferral:

Section 20.

(a) Tax deferral shall be allowed in addition to tax abatement.

(b) The taxpayer may defer up to 75% of taxpayer's remaining tax bill after all other programs have been applied (subject to any State mandated percentage maximum on relief).

(c) The total deferral pool for each year shall be $80,000 plus the excess deferral amount over $80,000 of the last taxpayer to qualify.

(d) Deferrals will be allocated by income, lowest income first, until all of the deferral pool is allocated.

(e) Deferral shall apply separately to each year's tax bill (i.e. 2012/13 taxes of a taxpayer who is awarded deferral for 2012/13 fiscal year shall continue to be deferred in all subsequent years, without further qualification, until termination as per paragraph i below).

(f) For the next year's (f/y 2013/14) taxes and every subsequent year the taxpayer must apply and qualify again for deferral and must also fit within the $80,000 allocation as per paragraph c above.

(g) Interest: (a): Interest on deferred taxes shall be accrued each tax year at a rate equal to the Town's borrowing cost on its most recent long term bond issue as of January 1 of the previous tax year; (b): The interest rate remains constant for the duration of the lien.

(h) Lien: (a): The Tax Collector shall make a list of the deferrals granted for the coming tax year, and shall, as soon as possible following January 1, file a tax lien on the land records for each deferral granted: (b): The lien shall be filed using a form to be prepared by the Tax Collector. The form shall, inter alia, state the rate of interest applicable for the duration of the lien; (c): Interest will be calculated and applied to the lean according to the Tax Collector's standard practices.

(i) Termination: The tax deferral shall terminate and all accrued interest shall become due and payable along with the total amount of deferred taxes, upon taxpayer's sale or transfer of the property, or when taxpayer no longer resides in the residence on the property, or taxpayer's death, whichever comes first, except that if the title passes by deed or by operation of law (will, intestacy, survivorship) to a qualified spouse, the tax deferral shall continue.

(j) Thirty days after termination (but six months in the case of death) the interest rate on all deferred taxes shall resume at the then current tax year's interest rate plus 4%, and the Town may thereafter bring foreclosure proceedings on all of the unpaid deferral tax liens.

(k) Individual Deferral Limits: For any taxpayer the total of all tax deferrals (with interest either calculated or approximated at 4% per annum) may not exceed the assessed value of the taxpayers home, less the then current mortgage (or home equity loan) balances and less any over- due and unpaid town taxes (with statutory 18% interest on overdue and unpaid town taxes).

(l) Prepayment: Deferred taxes may be repaid at any time. A partial prepayment will be applied first to prepayment of interest on the oldest tax lien, then to principal on the oldest tax lien.

Tax Deferral Calculation:

Section 21. The tax deferral benefit shall be calculated as follows:

Basis

Tax Deferral is based on the following:

- Calculation of Abatement amount is done prior to Deferral Calculation
- Calculation of State Circuit Breaker amount is also done prior to Deferral Calculation
- Amount of taxes allowed to be deferred is 75% of the remaining tax after all other tax relief has been taken
- Interest on the deferred taxes is equal to the "town borrowing rate"

Tax Deferral Formula

Tax Deferral = (Taxes Due – Tax Relief) x 0.75

Tax Relief = (Tax Abatement amount) + (Circuit Breaker Amount)

Example

Last year's property taxes due	= $8,000
Ownership	= 100%
Last year's income	= $35,000
Income multiplier	= $\frac{[85,000-35,000]}{85,000}$ = 0.59
Tax Abatement	= 0.42 x 1.0 x 8,000 x 0.59 = $1,982
Circuit Breaker	= $750
This year's taxes due	= $8,200
Taxes Due after all relief	= $8,200 - $1,982 - $750 = $5,468
Tax Deferral Allowed	= $5,468 X 0.75 = $4,101

Appendix A – Means test, liquid assets certification

AFFIDAVIT AS TO LIQUID ASSETS

I/We the undersigned taxpayer(s) do hereby certify, under penalties provided by law, that as of January 1 (last) I/We together have no more than $500,000 in liquid assets (i.e. cash, including bank accounts, and marketable securities but exclusive of IRS recognized retirement plans).

________________________ Taxpayer __________ Date

________________________ Taxpayer

If taxpayer has the assistance of a family member or advisor, he/she must sign the following:

The undersigned has assisted the above taxpayer(s) with finances/tax returns/tax relief application. I certify that as of December 31 (last), based upon information available to me, I believe that taxpayer(s) together have no more than $500,000 in liquid assets (i.e. cash, including bank accounts, and marketable securities but exclusive of IRS recognized retirement plans).

____
Print Name

________________________ __________
Signature Date

Marsha Standish

From: Terri Rainieri [trainieri@eastonct.gov]
Sent: Tuesday, July 22, 2014 8:46 AM
To: Marsha Standish
Subject: 2012 Tax Relief for the Elderly Report.doc
Attachments: 2012 Tax Relief for the Elderly Report.doc

This is going to be reviewed next year to update income limit

2012 Tax Relief for the Elderly Report

The table below summarizes the Senior Tax Relief results for 2012 and compares these with results from the three prior years:

	2012	2011	2010	2009
# of Seniors Qualified	184	198	209	187
Total Relief $'s	$380,059	$386,642	$377,997	$350,056
Avg. Relief $'s	$2,066	$1,953	$1,809	$1,872
# New Recipients this Year	29	22	42	40
Max Qualifying Household Income Allowed	$85,000	$85,000	$82,500	$80,000
Max Credit % Allowed	42.0%	42.0%	41.0%	40.0%
Avg. Qualifying Household Income	$42,243	$42,983	$43,967	$45,970
Avg Prev Yr Tax Bill (before relief)	$10,390	$10,047	$9,508	$9,419

There were 33 seniors who received tax relief in 2011 who did not apply for relief this year. The Tax Collector's office attempted to contact each of these seniors to determine their reason for not applying. In addition there were 10 seniors who received tax relief last year who applied this year but did not qualify. The reasons these seniors did not apply or did not qualify were:

- Did not meet the Asset Limit test: 17
- Income was too high to qualify this year: 7
- No reason given 5
- Moved from town 2
- Died 2
- Unable to contact 10

As a result of last year's review of the Senior Tax Relief program there were several changes to the ordinance that affected the number of seniors qualifying and the amount of tax relief granted. During the application process this year an attempt was made to track the effect of each of the changes with the following results:

<u>$500,000 Asset Limit</u> – At least 17 seniors (9%) did not qualify for tax relief due to this limitation. This resulted in the Town providing about $35,000 less in tax relief than it would have if there were no asset limit. In addition, it is likely that some of the 15 seniors who we were unable to contact or who gave no reason for not applying also fell into this category.

<u>Allowance for Negative Income</u> – 53 seniors (29%) showed a total of about $650,000 of negative income on their tax returns. Most of these were relatively small loss carry-overs (typically $3,000), but a couple of seniors showed losses of around $200,000 which skewed the average results. These negative income amounts were not added back into the Qualifying Household Income calculation as was done in past years. The cost to the town due to this change was roughly $18,000.

Long Term Care insurance premium deduction – 28 seniors (15%) indicated that they had paid these premiums with the average policy costing about $2,500. One half of this amount was allowed to be deducted from income at a cost to the town of about $2,000.

Paul Lindoerfer
Administrator, Senior Tax Relief