



Howard County

Internal Memorandum

Subject: Testimony on Council Bill No. 74-2016; amending the age of eligibility for the senior property tax credit.

To: Lonnie R. Robbins
Chief Administrative Officer

From: Stanley Milesky,
Director of the Department of Finance

Date: October 26, 2016

Synopsis of Current Senior Tax Credit

Currently, the Senior Tax Credit is granted for property that is owned, wholly or partly, by an individual who is at least 70 years old, uses the property as their principal residence, and lives in a household with a combined gross income that does not exceed 500% of the Federal poverty guidelines for a household of 2 and net worth that does not exceed \$500,000.

The combined gross income is defined in the same manner that combined gross income is defined for the State's Homeowners Tax Credit program and for FY17 the limit is \$80,100.

Net Worth means, after deducting outstanding liabilities, the sum of the current market value of all assets including real property, cash, savings accounts, bonds, and other investments; but not including the dwelling for which a property tax credit is sought, the cash value of any life insurance policies on the life of the homeowner, and tangible personal property.

The amount of the credit is 25% of the County Property Tax for the year after applying the Homestead Tax Credit. If an applicant has a combined gross household income less than \$45,000, they are required to also file for the State Homeowner's Tax Credit which can be substantially higher than the Senior Tax Credit for lower income applicants. The Senior Tax Credit is granted only if the amount of the State Homeowner's Tax Credit applied to County Taxes is less than 25% of County Taxes.

This credit was designed to assist seniors whose income and assets disqualified them from the State Homeowner's Tax Credit, but who were having difficulty paying taxes on their primary residences. It was designed to help seniors age in place.

Subsequent to the passage of this credit, the State Legislature lowered minimum age for eligibility from 70 to 65. The proposed legislation would lower the age of eligibility to be 65 in accordance with the State authority. Information on the credits issued in the last three years is included in the table below:

Year	FY16	FY15	FY14	FY13	FY12	FY11
# Credits	732	735	749	753	764	802
Amount	\$522,679	\$500,657	\$504,074	\$484,292	\$479,343	\$494,745
Avg. Credit	\$714	\$681	\$673	\$643	\$627	\$617

Financial Impact of Extending Credit to Age 65

Using population figures for Howard County from the U.S. Census Bureau for July 1, 2015 released on 6/23/16 and FY16 Senior Tax Credit Data, the following information was compiled:

Age Range	Population report	Senior Credit Recipients	% of total Population
70-74	10236	175	1.71%
75-79	6355	219	3.45%
80-84	4185	189	4.52%
85+	4468	149	3.33%

Note that at later ages a larger percentage of total population is getting the credit. This might be due to greater household income at earlier ages as many seniors are working past 65 and even 70. Also, assets that were once above the \$500,000 threshold may be spent down by later ages thus allowing owners to qualify who had not previously. The drop off at age 85 may be due to seniors moving in with other relatives or into other facilities as they give up home ownership.

In evaluating the potential revenue loss of lowering the qualifying age to 65, various scenarios for percentage of total population being eligible were considered.

Age Range	Population report	Senior Credit Recipients	% of total Population	Revenue Loss
65-69	14436	72	0.50%	\$ 51,411.00
65-69	14436	108	0.75%	\$ 77,117.00
65-69	14436	144	1.00%	\$ 102,822.00
65-69	14436	180	1.25%	\$ 128,528.00
65-69	14436	217	1.50%	\$ 154,947.00

Given the likelihood that some in this population are still working and therefore ineligible for the credit or that assets were more likely to be above the threshold, the percentage of the population between 65 and 69 who could avail themselves of this credit is probably lower than the age 70 to 74 cohort. For budget purposes, \$100K would be conservative estimate.