

February 12, 2014

To: Maureen Valente, Town Manager

From: David L. Levington  
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Cc: Board of Selectmen  
Board of Assessors  
Council on Aging  
Finance Committee  
Representative Thomas Conroy

SUDBURY'S MEANS TESTED SENIOR TAX EXEMPTION  
PROGRESS REPORT  
FEBRUARY 2014

Sudbury's new Senior Tax Exemption program was approved by the town and by the Commonwealth based on certain assurances put forth by the proponents. Now that it has been enacted and put into place, we can see how the actual results of the pilot program compare to the projections.

**Background**

**Property taxes as a burden to Senior Citizens**

In the United States, where education is funded primarily through local property taxes, senior citizens often feel they are unfairly burdened. Having paid high taxes for years as their children were educated, they feel they have "done their part" and are ready for some relief.

Many states agree with this, and provide relief in a variety of ways, but the Massachusetts Constitution makes schooling a responsibility of the cities and towns, and this has made it impossible to offer seniors a lower tax rate. There is also a point of view that seniors shouldn't get a lower rate, as all children are

reticence to approve plans when it isn't completely clear how much the plan will cost, and exactly who will benefit.

### 1. Fixed Costs

The plan proposes to raise each taxpayer's property taxes by an amount not to exceed 1% (no more than ½% in the first year). This was shown by example to be modest; for instance a \$6,000 tax bill became no more than \$6,030 in the first year and \$6,060 in ensuing years.

In order to guarantee this limit, the proposal includes a mechanism to prorate the benefits, if they would otherwise exceed the ½% or 1%.

### 2. Targeted Recipients

Data was presented from the US Census and the Massachusetts Department of Revenue showing both the size of the Senior Population (there were 1243 families in Sudbury in which one or more members collected Social Security), and the number experiencing very high property tax burdens (about 200 filing for the Circuit-Breaker, and about 100 who meet the financial requirements to defer their property taxes). This was important. It made it clear to voters that the plan was not to raise taxes on young voters to help all seniors; rather it raises taxes on almost everyone to help 200-300 overburdened seniors.

### Town Approval

Once they understood that they were helping a limited number of seniors, and that their costs were fixed and affordable, the voters in Sudbury voted to approve the program. The Town Meeting vote was almost unanimous, and later, after the legislature approved and Governor signed it, the voters at the polls approved the program by a wide margin.

### The Burden Shift

The plan put forward is a "Burden Shift"; i.e., all taxpayers accept a small increased burden, to relieve a small number of taxpayers of a major burden. A major advantage of this approach is that it avoids having the program compete with other town priorities, such as school expenses. The burden shift occurs outside of the budget process; it takes place during the process by which Selectmen determine property tax rates of the various classes of property.

It is likely that participation will increase in the second and third year. Eligibility is similar to the "Circuit Breaker", where participation has increased steadily over the years as more seniors become aware of the opportunity.

### COSTS

The act limited the "burden shift" to 0.5% of the residential levy for the first year, and to 1.0% thereafter. The actual cost (rate shift) for the first year was 0.4%.

This totaled \$289,200, and is the amount added to the residential tax rate. This resulted in a rate of \$18.03, and would have been about \$17.96 without the shift. The added property tax for the average homeowner worked out to be about \$45 (on an assessed value of \$632,187). Higher or lower valued homes paid more or less proportionately. It seems likely that with increased participation the target of 1% in years two and three will be about right.

### RECIPIENTS

.Although the applications are confidential, the Assessors have been able to provide valuable information about the recipients as a group.

### TAX REDUCTION

The 118 seniors received property tax reductions ranging from under \$1,000 to over \$5,000; the median reduction was about \$2,500.

Assessed property taxes were reduced:

\$1,000 or less	24
\$1,001 to \$2,000	23
\$2,001 to \$3,000	26
\$3,001 to \$4,000	28
\$4,001 to \$5,000	9
\$5,000 to \$6,100	8

The experience of a senior with \$40,000 income was something like this:

Property tax at normal rates: $\$18.03 \times \$417,300 =$	\$7,524
Circuit-Breaker credit	1,000
Tax reduction from this program	2,500
Property tax paid after credit and tax reduction	\$4,000

### Seamless implementation

To their great credit, the professional staffs in the Assessing and Finance Departments made the optimistic promises of the proponents come true.

From applications through rate-setting, this new program was introduced and administered smoothly and in a trouble-free manner. The law included a provision enabling the town to delay implementation if there was a problem establishing a tax-rate, but this did not occur.

### Looking to the Future

This is a progress report, presented so that all those interested in this new program can keep up with its implementation, its problems, and its successes. We will continue to study the results of this first year, both to keep the town aware, and to find ways to make the second and third years more successful.

***Implementation of Chapter 169 of the Acts of 2012***

***Sudbury Means Tested Senior Citizen Property Tax Exemption: SMTE Program***

**FY4 July 1, 2013 – June 30, 2014**

In the months leading up to the application period many control and test measures were already in development or underway:

- Eligibility criteria was clearly defined and identified.
- A user friendly application and guideline was developed and approved by the Board of Assessors.
- Questions from the senior population and others were addressed.
- A workable process presumed to fit in with current tax rate setting procedures was in development.
- A database was created incorporating all necessary fields of applicant statistics.
- A mechanism to apply the new exemption to tax bills was underway.
- Outreach to the Department of Revenue was initiated. It was quickly realized that the State would not be approving or reviewing the new application and guideline.

The established deadline for FY14 applications was August 29, 2013. The ensuing actions from the deadline all contributed to successful implementation of the SMTE Program for 2014.

- **August 29, 2013:** Assessors received applications including 2012 MA Income Tax Schedule CB and 1st two pages of 2012 Federal 1040.
- **September 10, 2013:** Assessors entered items for each applicant into a database (Note: Chapter 169 of the Acts of 2012 provides the definition of qualifying income as circuit breaker income).
- **September 26, 2013:** Formal notification letter to all divisions of the Department of Revenue; including Division of Local Services, Municipal Law, Bureau of Accounts regarding the SMTE program.
- **October 9, 2013:** Assessors concluded the application review process; resulting in 118 approvals, 2 disqualifications and 4 denials.
- **November 8, 2013:** Finance Director finalized creating new exemption code and process for entering exemption into MUNIS system.
- **November 8, 2013:** Budget Analyst finalized revisions to the Senior Exemption Calculation Workbook.
- **November 20, 2013:** Assessors received approval of assessed values for all Sudbury properties as of January 1, 2013.
- **November 20, 2013:** Import of FY 2014 assessed values to Senior Exemption Calculation Workbook.
- **November 22, 2013:** It was determined that the 1<sup>st</sup> year collective cap of .5% of residential levy for exemption relief conferred under this Special Act would likely be sufficient to allow for the target tax liability of 10% of qualifying income & amount of prior year CB benefit for those qualifying applicants.
- **November 22, 2013:** Final preparation of Classification Hearing Materials

Area of Responsibility	Date	Program Phase	FY Activity	Notes	
Citizen Petition	Jan-11	Social Act Approval Special Town Meeting	FY11		
Board of Selectmen	Feb-11	Special Act (Sudbury Means Tested Senior Exemption) submission to State Legislature			
State Representative Thomas Conroy & House Chairman of Joint Committee on Revenue Jay Kaufman	Mar-12	Sudbury Senior Tax Relief Community Meeting discussing the potential for advancing the bill submitted by the Town of Sudbury			
State Representative Thomas Conroy & Senators Eldridge & Fargo	Mar-12	Sudbury Act moved out of committee → House Means and Ways → Bill H.3435			
Board of Selectmen, Town Manager	29-Mar-12	Meeting/Finance Dept staff to address differences in Sudbury's original petition to the state and the resulting H.3435.			
Board of Selectmen, Town Manager	3-Apr-12	Vote to establish H.3435 Review Committee			
H.3435 Review Committee & Finance Dept Staff	Apr-12	Develop H.3435 into enabling legislation to allow for successful implementation		FY12	
H.3435 Review Committee & Finance Dept Staff	Apr-12	Re-work H.3435 to match the intent of the original Act as Voted at Town Meeting			
H.3435 Review Committee & Finance Dept Staff, Board of Selectmen, Town Manager	1-May-12	H.3435 Review Committee Report to Board of Selectmen			
Town Manager	2-May-12	Suggested changes to the Act submitted to Representative Conroy			
State Legislature & Governor Patrick	27-Jul-12	Upshot of H.3435 = Chapter 169 of the Acts of 2012 (SMTE)			
Assessing Staff	January-March	Begin outreach to DOR/DLS Legal Staff			FY13
Board of Assessors	January-March	Formalize Eligibility Criteria			
Board of Assessors	February - Jun	Develop and Approve Guideline & Application			
Budget Analyst/Finance Director	??	Exemption Calculation Database			
			DOR will not review or approve any home-rule petition applications. It is up to the local Assessors' to develop a workable application.		

Area of Responsibility	Date	Program Phase	FY Activity Notes
Board of Selectmen	26-Nov-13	Classification Hearing	No Res Exemption No Small Commercial Residential Factor of .974606 resulting in res rate: \$18.03 CIP: \$24.94
Commissioner of Revenue	2-Dec-13	Tax Rates Approved	\$18.03: \$24.94
Finance Director	11-Dec-13	SMTE exemptions posted to tax bills	
Assessing Staff	16-Dec-13	Chapter 59 statutory exemptions, Community Preservation Surcharge, Senior Community Service, Senior Tax Deferrals processed.	
Treasurer/Collector	27-Dec-13	Tax Bills prepared and issued	