CENTER for RETIREMENT RESEARCH at BOSTON COLLEGE

November 2017, Number 17-19

PROPERTY TAX DEFERRAL: A PROPOSAL TO HELP MASSACHUSETTS' SENIORS

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Introduction

Massachusetts citizens, like those in other states, face the prospect of inadequate retirement income. Social Security will provide less relative to pre-retirement earnings; 401(k) balances are generally meager; and half the private sector workforce does not have an employer-sponsored retirement plan. At the same time, the number of years spent in retirement has increased dramatically; health care costs are high and rapidly rising; and interest rates are at historic lows. In addition to these nationwide challenges, Massachusetts' older residents face extraordinarily high housing costs and, as a result, rank among the most disadvantaged in terms of the gap between their required and actual resources.

The three big levers to improve the retirement income situation are: 1) encourage people to work longer; 2) provide coverage for employees who do not have a retirement savings plan at work; and 3) enable older households to tap their home equity. States can assist on all three fronts to help individuals *use their own resources* to support themselves in retirement. They can publicize the advantage to individuals of staying in the labor force and to companies of hiring and retaining older workers. They can institute programs that require employers without a retirement plan to automatically enroll their workers in an Individual Retirement Account. And they can offer a program of property tax deferral that will enable homeowners to use some of their home equity to augment inadequate retirement income. This *brief* focuses on the third option, exploring one possible approach to property tax deferral that uses Massachusetts as an example.

The discussion proceeds as follows. The first section describes the nation's retirement income challenge and the particular problem created by Massachusetts' high housing costs. The second section describes the major existing programs for homeowners' relief in Massachusetts: two that cost the taxpayer and one that allows low-income homeowners to help themselves through limited property tax deferral. The third section describes a proposal for a new statewide program of property tax deferral that would be open to all homeowners. The fourth section addresses likely utilization and startup costs before the program becomes self-financing. The final section concludes that a comprehensive property tax deferral program offers enough promise to at least be tried as a pilot.[1]

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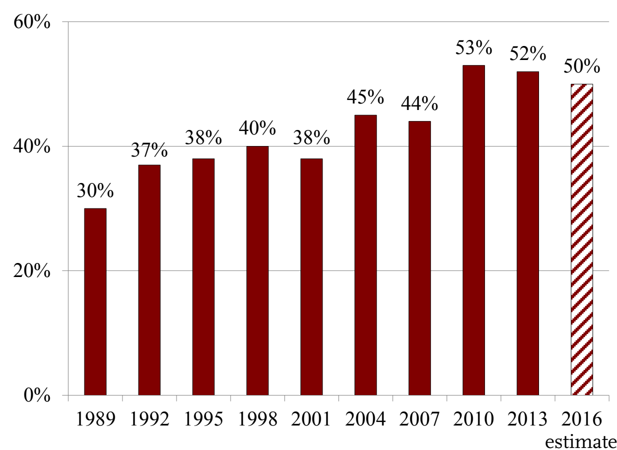
The Retirement Challenge

Many retirees are not going to have enough income to maintain their standard of living once they stop working. The National Retirement Risk Index (NRRI), which relies on data from the Federal Reserve's *Survey of Consumer Finances* for today's working-age households, compares projected replacement rates – retirement income as a percentage of pre-retirement income – to target replacement rates that permit households to enjoy the same consumption before and after retirement.[2] The current NRRI estimate shows that about half of all households are at risk, up from 30 percent in 1989 (see Figure 1). So the problem is widespread and is getting worse over time.

Figure 1. The National Retirement Risk Index, 1989-2016



Sources: Munnell, Hou, and Webb (2014); and authors' estimate.

The reasons for this shortfall are twofold: 1) Baby Boomers and the generations that follow are going to need more retirement income; and 2) traditional sources of retirement income are providing less support than in the past. On the needs side, as discussed, the drivers are longer life expectancies coupled with relatively early retirement ages, rising health care costs, and very low interest rates. These factors combined mean that people are going to need to accumulate substantially more retirement resources now than in the past.

On the income side, Social Security will provide less relative to pre-retirement earnings because of the rise in the "Full Retirement Age" from 65 to 67.[3] In addition, higher Medicare premiums and the taxation of Social Security benefits for more households will lower *net* benefits. Furthermore, the program faces a 75-year deficit, and additional benefit cuts could be part of a package to restore balance.

The other major source of retirement income, the private retirement system, is falling short. In 2016, the typical working household with a 401(k) plan approaching retirement (ages 55-64) had only $135,000 in combined 401(k)/IRA assets.[4] That may sound like a lot to some, but could provide only $600 per month in retirement income.

And those with coverage by an employer-sponsored retirement plan are the lucky ones: about half of private sector workers do not participate in any plan at a given point in time.[5] This share has remained relatively constant over the last 40 years. The lack of universal coverage means that many American workers move in and out of plan participation, and a significant percentage will end up with nothing but Social Security.

However bleak the outlook for the nation as a whole, the situation in Massachusetts is more serious. The Gerontology Institute at the University of Massachusetts-Boston calculates – for each state – the Elder Economic Insecurity Rate, which is the percentage of couples and single individuals with income below the level required to cover basic living expenses. The most recent report shows that 61 percent of older single adults in Massachusetts had incomes below the Elder Index target, and at No. 49 was second only to Mississippi. For older adult couples, Massachusetts ranks No. 41 out of the 50 states.[6]

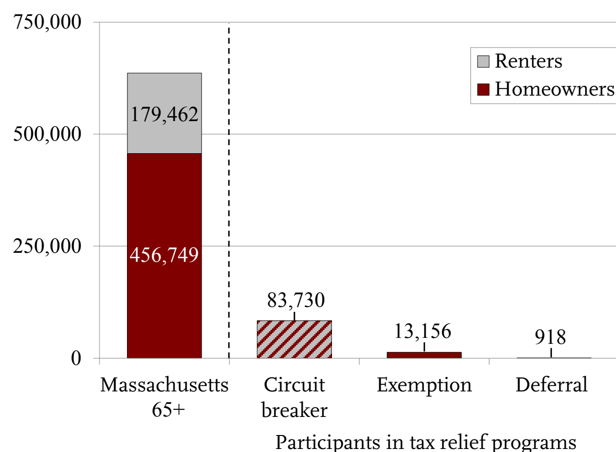
Why does Massachusetts, with one of the highest median incomes in the nation, rank so poorly? The primary answer is the cost of housing; and a major component of this cost is the property tax. Massachusetts policymakers have recognized the problem, and the Commonwealth does provide some relief.

Existing Provisions for Property Tax Relief in MA

Massachusetts currently has two types of programs for property tax relief. The first type is transfer, or welfare, programs: the Circuit Breaker Tax Credit, which is administered at the state level, and the Senior Property Tax Exemption, which is administered by local governments. The other type – the locally-administered Senior Property Tax Deferral – helps

people use what they have.[7] Figure 2 shows that participation in these programs is limited primarily because of income restrictions and lack of knowledge about the programs, as described below.

Figure 2. MA Property Taxpayers 65+ and Participants in Senior Tax Relief Programs, 2016



Note: Circuit breaker data are for 2014 participants.
Sources: U.S. Census Bureau, *American Community Survey* (2015); MA Department of Revenue (2017a,b).

Circuit Breaker Tax Credit

This program provides a credit to taxpayers ages 65+ who own or rent residential property in Massachusetts. The credit equals the amount by which their real estate tax payments, or 25 percent of their rent constituting such a payment, exceeds 10 percent of their total income. The maximum credit is $1,070. The amount of the credit is subject to limitations based on the taxpayer's total income and the assessed value of the real estate (see Appendix A). This program costs the state about $70 million per year.

Senior Property Tax Exemptions

This program exempts $500 on the property tax bill for those ages 70+ who meet specific ownership, residency, income, and asset requirements. Cities and towns, who bear the cost of this exemption, can increase the exempt amount to $1,000 and reduce the age to 65.[8]

Senior Property Tax Deferral

This program allows local governments to permit some seniors to defer payment of their property taxes and to recoup those taxes plus interest when the homeowner dies or sells the house.[9] The State sets the program parameters, but allows localities some flexibility. For example, the state's maximum gross income for participants is $20,000, but local governments can raise that limit to $57,000 (the Circuit Breaker limit for a single non-head of household). Similarly, the state sets a maximum interest rate of 8 percent, but localities can adopt a lower rate. Of the 351 towns in Massachusetts, 310 offer the deferral and 154 have increased the income eligibility and/or lowered the interest rate. The total amount of property tax deferred and accrued interest cannot exceed 50 percent of the fair cash value of the property. Homeowners with a mortgage must get permission from their lenders to participate in the program.[10]

Despite the potential benefit to homeowners, take-up of the deferral program is very low. Three factors appear to be at play. First, most homeowners are not eligible. Second, eligible homeowners are not aware of the program (since only wealthy communities tend to publicize their program) and often confuse it with other tax credit and exemption programs. Third, homeowners who are eligible and aware often do not know how to apply, are concerned about a stigma attached to an income-tested program, or hesitate to place a lien on their home.

A New Statewide Property Tax Deferral Program

A new statewide Property Tax Deferral Program could address many of these shortcomings. Ideally, the program would be open to all homeowners in Massachusetts ages 65 and over. Eligibility would not be based on income. The rationale for this approach is fourfold. First, the problem of inadequate retirement income is not limited to low-income homeowners; the NRRI shows that many homeowners in the top and middle thirds of the income distribution also will be at risk in retirement.[11] Second, universal eligibility eliminates any stigma associated with the program and will enhance its acceptability. Third, the absence of income limits facilitates the administration of the

program by simplifying eligibility and avoiding denial of access to people who make a large 401(k) withdrawal in a given year. Finally, we believe that programs for poor people often turn out to be poor programs and universal participation enhances the chances for the program's success.

The program would function as follows (see Appendix B for further details):

- Individuals 65+ with a primary residence in Massachusetts would be able to defer their property taxes until deferrals, accumulated interest, and any outstanding mortgage reach 60 percent of the assessed value of their property (see Box 1 for deferral cap rationale).

- Participation in the program would be triggered by simply checking a box on the city's or town's property tax bill (see Appendix C for sample tax bill).

- When the city or town forwards the tax bill to the State, the State would send the city or town an amount equal to the deferred taxes.

- The interest rate each year would be set at the State's borrowing cost plus a buffer to cover administrative costs and defaults. Since the State would borrow long term, the homeowner's interest rate on each year's deferral would remain constant over time. A rise in interest rates would not affect the cost of taxes already deferred.

- The State would retain a lien on the house for unpaid property taxes and would be repaid the principal plus interest within a year of when the homeowner(s) dies or sells the home.

This new program would achieve several important goals. First, an average older homeowner in Massachusetts would save about $4,000 a year by deferring property taxes (see Appendix D). This amount substantially exceeds the funds provided though the State's existing tax deferral, exemption, and credit programs, which could be phased out very gradually for homeowners (retaining the Circuit Breaker for renters). The homeowner could choose to defer for a single year to help cover, say, the cost of a new roof, or to defer on an annual basis to supplement Social Security and any other retirement income.

Box 1. Why Cap Deferrals at 60 Percent?

Under a property tax deferral program, the state faces the risk that the proceeds from selling the home will not be adequate to cover deferred taxes and interest. It can lower this risk by stopping deferrals once a homeowner owes more than a certain percentage of the home's value. But a cap also lowers the home equity homeowners can tap and could force some homeowners to start paying taxes again after years of deferrals.

Setting the appropriate cap involves striking a balance between protecting the state and protecting homeowners. A cap at 60 percent appears to balance these interests. To reach this cap, a 65-year-old homeowner without a mortgage could defer taxes every year for over 35 years – a situation few homeowners would be in (see Box Table 1). From the State's perspective, this cap would leave at least 40 percent of the home value as a buffer to insure that proceeds from selling the house would be sufficient to repay the loan.[12]

Box Table 1. Home Value Remaining and Survival Probability at Selected Ages for a Household Starting Deferrals at Age 65

Age	Home value used plus interest	Home value remaining	Survival probability
95	40 %	60 %	28 %
100	49	51	8
105	58	42	1

Note: See endnote 13.
Source: Authors' calculations.

Second, property tax deferral would allow seniors to age in their own homes. Survey after survey finds that people strongly prefer to stay in their own communities.[14] Reducing the costs associated with home ownership would enhance their ability to do so. Having the program available to all would eliminate any concern about a stigma associated with deferral.

Third, the proposed program could reduce complexity in Massachusetts by slowly phasing out the current system of tax deferrals, exemptions, and credits with a single statewide program open to all homeowners.

Finally, it would alleviate the burden on localities. Under current provisions, widespread use of a tax deferral program would have a significant short-term impact on local budgets. The proposed program removes this burden by having the State pay cities and towns the deferral amount and collect the money it is owed when houses are sold.

Of course, to the extent that homeowners tap their home equity through property tax deferral, they will not have as much to pay for nursing home care late in life or to leave to their children or others as a bequest. Thus, some homeowners may want to use the program only to cover unusual expenditures, such as a new roof, while others may be willing to leave a smaller bequest in order to have a more comfortable retirement.

Financing the Program

The program would be revenue neutral at the household level; the State would lend the cities and towns the money up front and recoup the loans with interest when the home is sold. Two buffers would eliminate risks to the State of inadequate recoupment. First, a small premium could be added to the interest rate to cover any administrative costs. Second, the provision to cap deferrals, interest, and mortgages at 60 percent of the home's appraised value would protect the State against any failure to maintain the home or collapse in house prices.

Even though the proposed program is revenue-neutral at the household level, the State would need to set up a revolving loan fund and issue new debt equal to the difference between the value of taxes and interest deferred each year and the value of taxes and interest collected. The size of this revolving loan fund would depend on program participation.

The extent to which homeowners would participate in the program is somewhat uncertain. To date, property tax deferral programs in other states appear to be used infrequently (see Box 2). One practical hurdle is awareness of their existence; the programs are generally administered locally and have limited budgets for outreach.[15] In addition, the actual process of applying also poses a barrier – homeowners often have to mail or deliver tax returns, deeds, and birth certificates with application forms. Despite these hurdles, over 10 percent of eligible homeowners in Oregon participated in its deferral program from the mid-1980s to mid-1990s – a period of rising property tax rates and high interest rates for consumer loans.[16]

Box 2. Property Tax Deferral Programs in Other States

Twenty-four states currently offer some seniors the ability to defer their property taxes until their home is sold or the owners are deceased. Eleven of these states – Arizona, California, Colorado, Idaho, Illinois, Michigan, Minnesota, Oregon, Washington, Wisconsin, and Wyoming – offer such programs through the state, with the state sending money (from a revolving loan fund or general appropriations) to the local governments to offset lost revenue.

Under all the programs, eligibility depends on age, residence, in most instances on income, and in some instances on property value. Program parameters are usually set at the state level, but municipalities generally administer the programs and can often set their own eligibility criteria and interest rates. Key program parameters vary widely across states and municipalities:

- Initial eligibility age: 62 to 67
- Eligibility income: $10,000 to unlimited.
- Residence requirement: 1 to 10 years
- Interest rate: 1 to 8 percent
- Qualified home value: $250,000 to unlimited.

For detailed information on each state's program, see Lincoln Institute of Land Policy (2017).

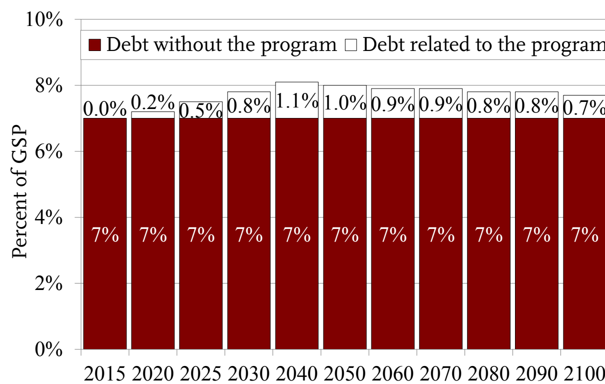
One could expect participation in Massachusetts to exceed that of Oregon: the property tax burden is substantial, the program would be well publicized, and participation would require homeowners simply to check a box on their tax bill. In that environment, one would expect that participation would be driven by need, and the NRRI, discussed earlier, suggests that about 20 percent of older homeowners would need to tap home equity to maintain their standard of living.[17]

To estimate the size of the revolving loan fund with a 20-percent participation rate, consider a world where the amount of property taxes collected does not increase and the population of homeowners over 65 is constant. In this simple model, the amount of debt issued to finance a property tax deferral program will be highest in the first year of the program, then decline each year thereafter as people exit the program and pay back the taxes they deferred. The total

outstanding debt, or amount of debt in the revolving loan fund, therefore grows quickly at first before stabilizing when taxes paid back equal new deferrals.

In reality, home prices increase, the population over 65 grows, and interest and administrative expenses must be paid each year. So instead of reaching a steady size, the revolving loan fund will grow. The cost projections in this *brief* take all these factors into account.[18] The results of the model show that – with a 20-percent participation rate and five-year phase-in – the loan fund would require about $80 million in new loans during early years, rising to $450 million in new borrowing at its peak before declining. At its peak, program borrowing would increase Massachusetts debt outstanding from 7 percent to 8 percent of GSP (see Figure 3).[19] Thereafter, the program's impact would decline steadily.

Figure 3. MA Debt Relative to Gross State Product with and without the Program, 2015-2100



Note: Projections are preliminary and do not account for the type of debt issued and the financing of interest payments.
Sources: Commonwealth of Massachusetts, *Comprehensive Annual Financial Reports* (Fiscal Years 2001-16); Federal Reserve Bank of St. Louis (2017); and authors' projections.

Costs could be limited by starting with a pilot program to get a sense of how many people are likely to participate, how people will use the program, and what program costs will be. To provide reliable answers to these questions, a pilot program will need to include a set of towns or cities with a total of around 10,000 eligible households and around 2,000 participants. Limiting participation to about 2 percent of the number expected in a statewide program would require a revolving loan fund roughly 2 percent of the size of a statewide program.

Conclusion

Many retirees are not going to have enough money from conventional retirement programs to maintain their standard of living once they stop working. To help support themselves, they will need to tap their home equity – the major asset for most middle-income households. But tapping home equity is difficult. Most people are reluctant to downsize and, even when they do, they rarely reduce their housing expenses. Reverse mortgages are an option, but most households are put off by the enormity of the decision, the complexity of the product, and the high up-front costs.

A statewide Property Tax Deferral Program overcomes the hurdles to accessing home equity. Property tax deferral does not provide access to as much home equity as a reverse mortgage, but the offsetting advantages are that the process is easy, the up-front cost is zero, and some of the house value after the repayment of loan and interest will be available for a bequest.

At the household level, the proposed program is revenue-neutral – all taxes owed by a participating household are paid back, with interest sufficient to cover the cost of borrowing and to pay for administrative expenses. That said, since households can continue to defer taxes for decades before paying the money back, the state would need to set up a revolving loan fund – an account where debt will accumulate until revenue from repaid taxes will offset new borrowing – to replace the revenue lost by municipalities. If participation rates approach 20 percent, this revolving debt fund would increase Massachusetts' ratio of debt-to-GSP from 7 percent to 8 percent. A pilot program would enable the state to limit its borrowing and answer many questions about the impact of a universal property tax deferral program.

Endnotes

1 The authors wish to thank many people for reviewing this proposal, but their inclusion below does not indicate an endorsement of the proposal. The reviewers were: Massachusetts State Representative Jay Kaufman; Alicia Scahill, Jacob Blanton, and Anthony Sacco of the Massachusetts Joint Committee on Revenue; Barry Cornwall a volunteer for AARP (Massachusetts); Debra Whitman of AARP (national); Marcia Van Wagner of Moody's Investor Service; Ellen Bruce and Jan Mutchler of the University of Massachusetts-Boston Gerontology Institute; Robin Lipson of the Massachusetts Executive Office of Elder Affairs; Andrew Deslaurier of the Town of Billerica; Jason Brockie of the Oregon Department of Revenue; Daphne Kenyon, Adam Langley, Joan Youngman, Andrew Reschovsky, and Semida Munteanu of the Lincoln Institute of Land Policy; and Richard Shea of Covington and Burling LLP.

2 For details on the NRRI methodology, see Munnell, Hou, and Webb (2014).

3 For a discussion of the effect of the rising Full Retirement Age, see Munnell (2013).

4 Munnell and Chen (2017).

5 Munnell and Chen (2017).

6 For more on the Elder Index, see Mutchler, Li, and Xu (2016).

7 In addition, qualified senior homeowners can work off up to $1,500 on their property tax bill by volunteering for their city or town. The city or town administers the program, keeping track of hours worked, and credits for each hour worked an amount not to exceed the minimum wage ($11). Each city or town can change the income limits and benefit amounts up to the maximum. The tax work-off credit cannot exceed the total tax due after any other exemptions. An approved representative may do the volunteer work for people physically unable to provide such services.

8 This program is established under Chapter 41C. Chapter 41C½ allows those with incomes up to $57,000 to exempt property taxes equal to 5 percent of the average assessed value of residential property in their town, and the exemption may be increased to 20 percent by the local government. But, according to the MA Department of Revenue website (2017b), only one municipality in MA has established a program under Chapter 41C½.

9 Once the property is sold or transferred upon the deaths of the homeowner and any spouse, deferred taxes and interest must be paid back within six months. Interest accrues at a rate of 16 percent per year during these six months. After six months, the Treasurer may petition the Land Court to foreclose the lien on the property.

10 For legislative text, see Massachusetts Acts of 2016 (2016).

11 See Munnell, Hou, and Webb (2014).

12 About 60 percent of Massachusetts homeowners ages 65+ own their home free and clear (U.S. Census Bureau, *American Housing Survey*, 2015).

13 The calculations assume no mortgage on the property. The amount of equity remaining is sensitive to the tax rate, the interest rate and home price changes. Our estimates are based on projections using a fixed property tax rate of 1.02 percent, constant 0.5 percent per year increase in real home value, and a 2.5 percent real interest rate on deferred taxes. Using actual housing appreciation in MA and 30-year Treasury rates between 1976 and 2016 results in similar levels of equity remaining after 35-40 years of participation.

14 See AARP (2014) and Age Wave (2015).

15 For example, a 1998 AARP report found that just 20 percent of people who were eligible for property tax relief programs knew they existed. But even of those that knew of the programs, just 1.4 percent participated.

16 This estimate was derived using Oregon Department of Revenue (2009), Oregon Legislative Revenue Office (2001); and authors' calculations from U.S. Census Bureau, *American Community Survey,* 1960-2008.

17 The NRRI predicts that, without using their home equity, 61 percent of homeowners ages 55-59 will be at risk in retirement. Half of those have a strong bequest motive and are assumed not to participate in the program. All of those with no bequest motive and half of those with a weak bequest motive are assumed to participate, which yields the estimate of a 20-percent participation rate. The assumption on bequest motives is based on data from the *Survey of Consumer Finances* (2016).

18 The projection assumes a population growth pattern that follows University of Massachusetts Donahue Institute (2015) population projections for the short term and SSA Trustees Report (2017) for the long term, a home-appreciation rate of 0.5 percent in real terms, a 2-percent state borrowing rate in real terms, a 7-percent debt-to-GSP ratio (a stable ratio from 2011 to 2016) in the absence of the program, and a 2.1-percent growth rate for GSP.

19 The size of the revolving loan fund could be reduced by around 10 percent by restricting deferrals to the first million dollars in assessed value (Authors' calculations using U.S. Census Bureau, *American Community Survey,* 2015).

20 The intent of this provision is to discourage people from buying a more expensive house due to the ability to defer the property taxes. An exemption could be added to allow people to downsize.

21 The legislation enacting the deferral program will need to provide that the lien continues during the deferral period. Under existing law, the lien disappears if foreclosure proceedings are not commenced within a specific period after the tax is due.

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APPENDIX

Appendix A. Property Tax Relief Provisions

Table A1. MA Property Tax Relief Provisions for Seniors, 2017

Parameter	Provision		
	Circuit Breaker	Exemptions	Deferral
Age	65+	70+[a]	65+
Income limit	$57,000 single $71,000 head of household $86,000 joint filers	$13,000 single $15,000 married[b]	$20,000 single or married[c]
Asset limit	$720,000 assessed property value	$28,000 single $40,000 married[d]	None
Exemption	Tax credit up to $1,070	$500[e]	Deferral up to 50% of fair cash value[f]
Payment due	N/A	N/A	When property sold

[a] Locality may reduce to age 65.
[b] Locality may raise to $20,000 for single or $30,000 for married.
[c] Locality may raise to $57,000.
[d] Locality may raise to $40,000 for single or $55,000 for married.
[e] Locality may raise to $1,000.
[f] Homeowners with a mortgage must get permission from their lender to participate in the program.
Source: MA Dept. of Revenue (2017c,d,e).

Appendix B. Outline of Proposed Massachusetts Property Tax Deferral Program

Individuals 65 or older who have owned a home in Massachusetts and occupied it as their principal residence for at least five years[20] would be eligible to defer their property taxes.

The homeowners must certify that:

- at least one of the owners is over 65;
- the current property is their primary residence;
- all prior years' property taxes have been paid;
- they have owned and lived in the home for at least five years; and
- they have homeowners insurance.

The State's new Property Tax Deferral Program procedure:

1. The property tax bill for all cities and towns would include a check-box where homeowners certify their eligibility for the program and indicate their desire to participate.

2. For those choosing to participate, the city or town would forward a copy of the property tax bill to the Massachusetts Department of Revenue.

3. The Massachusetts Department of Revenue would send the city or town an amount equal to the deferred taxes.

4. The State would record in the real property records a notice that taxes have been deferred by each homeowner participating in this program.

5. Deferred property taxes, accrued interest, and mortgages could not exceed 60 percent of the assessed value of the property.

6. The State would be repaid the principal plus interest when the homeowner dies or sells the home. The interest rate each year could be set at the State's borrowing cost plus a buffer to cover administrative costs and defaults. In the case of property owned jointly, the State would be repaid when the surviving owner dies or sells. The deferral amount could also be repaid earlier at the homeowner's discretion.

7. The State would borrow the funds each year to transfer an amount equal to the deferred taxes for that year to the city or town.

8. Under Chapter 60 Section 37 of the Massachusetts General Laws, unpaid municipal property taxes are automatically secured by a lien on the home. Under the proposed deferral program, the State would continue to have a lien on the home for deferred taxes and interest. This lien would remain in effect as long as the deferred taxes remain outstanding and would continue to be prior to other liens, such as mortgages.[21] Once notified that the homeowner has died or moved, the State would collect the deferred tax amounts at the time of the sale of the property. The State's lien would have the same priority as the municipal liens for unpaid taxes. The State would have the right to foreclose if the property is not sold and outstanding deferred tax amounts remain unpaid for a specified period after payment is due.

Appendix C. Sample Property Tax Bill

This form is approved by Commission of Revenue

COMMONWEALTH OF MASSACHUSETTS
CITY OF BOSTON
OFFICE OF THE COLLECTOR-TREASURER
ONE CITY HALL SQUARE, BOSTON, MA 02201

FY 2017
CITY OF BOSTON
REAL ESTATE TAX

Office of the Assessor 617-635-4287

Office of the Collector 617-635-4131

Office Hours: Monday - Friday 9:00 AM – 5:00 PM

JANE DOE
123 MAIN STREET
BOSTON MA 02201

PAYMENTS CAN BE MADE ONLINE AT:
www.boston.gov/taxpayments
credit/debit card payments are subject to fees

If you are using a payment service to pay this bill, you MUST indicate the **TAXYEAR** and **BILL NUMBER** on the check.

MAKE CHECKS PAYABLE TO:
THE CITY OF BOSTON

MAIL CHECKS TO:
BOX 55808
BOSTON, MA 02205

Do not send cash

WARD	PARCEL NO.	BILL NUMBER	BANK NO.
1	12345-123	123456	123

LOCATION	AREA
123 MAIN STREET	

Tax Rate	RESIDENTIAL	OPEN SPACE	COMMERCIAL	INDUSTRIAL
Per $1,000	10.00	10.00	25.00	25.00

CLASS	DESCRIPTION	ASSESSED OWNER
CD	Building	JANE DOE

IMPORTANT: SEE REVERSE SIDE FOR IMPORTANT INFORMATION

You may be eligible to defer your tax payment

You are eligible to defer paying your property taxes if you are over the age of 65, own and occupy your home solely for residential purposes, and owe less than 60 percent of your home's total full valuation in mortgages, deferred taxes, and accrued interest.

If you defer paying your property taxes, deferred taxes will accrue 5 percent interest each year. But you will not have to pay back the taxes or interest until you sell your home or you and your spouse pass away and leave the house to an heir.

To defer your taxes this year, check one of the boxes under your total due.

TAXPAYER'S COPY
4th Quarter

TOTAL FULL VALUATION	275,000
RESIDENTIAL EXEMPTION	25,000
TOTAL TAXABLE VALUATION	250,000
PRELIMINARY OVERDUE	.00
SPECIAL ASSESSMENTS	.00
CODE VIOLATIONS	.00
TOTAL TAX & SPEC. ASSMNT. DUE	300.00
PERSONAL EXEMPTIONS	.00
PAYMENTS TO DATE/CREDITS	300.00
NET TAX & SPEC. ASSMNT. DUE	.00
TAX PAYMENTS DUE BY 05/01/2017	2,500.00
TAXES DEFERRED	.00
FEES	.00
INTEREST	.00
TOTAL DUE Pay by 05/01/2017 →	$2,500.00
OR defer paying this amount by checking one of the following boxes:	
I wish to defer my taxes this year, certify that I am eligible, and certify that I do not have any outstanding mortgages or home loans on my property.	☐
I wish to defer my taxes this year, certify that I am eligible, and certify that my outstanding mortgages, deferred taxes, and accrued interest do not exceed 60 percent of the total full valuation of my house as stated above.	☐

Source: Authors' illustration.

Appendix D. Effect of Property Tax Deferral Program on Homeowners in Massachusetts

On average, households over the age of 65 in Massachusetts will be able to defer more than $4,000 per year in tax expenditures through the proposed program. This average deferral amount varies by county, from a low of $3,188 in Bristol County to a high of $5,813 in Middlesex County (see Table D1).

Table D1. Average Property Value and Tax for Households 65+

County	Property value	Property tax	Median income (Before taxes)
State-wide average	$427,436	$4,342	$56,400
Barnstable	$546,976	$4,011	$76,200
Berkshire	$351,179	$3,510	$48,780
Bristol	$315,816	$3,188	$47,700
Dukes	$661,757	$3,690	$59,800
Essex	$446,644	$5,063	$63,100
Franklin	$258,972	$3,808	$57,200
Hampden	$225,755	$3,611	$48,200
Hampshire	$259,994	$3,820	$55,000
Middlesex	$559,754	$5,813	$70,100
Nantucket	$661,757	$3,690	$59,800
Norfolk	$507,756	$5,421	$62,600
Plymouth	$377,074	$4,210	$54,800
Suffolk	$567,300	$3,911	$64,000
Worcester	$330,546	$4,576	$55,900

Note: ACS PUMS is used to calculate county-level statistics. PUMS is a sub-sample of the full ACS IPUMS sample.
Source: U.S. Census Bureau, *American Community Survey* (2015).

CENTER *for*
RETIREMENT
RESEARCH
at BOSTON COLLEGE

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The mission of the Center for Retirement Research at Boston College is to produce first-class research and educational tools and forge a strong link between the academic community and decision-makers in the public and private sectors around an issue of critical importance to the nation's future. To achieve this mission, the Center sponsors a wide variety of research projects, transmits new findings to a broad audience, trains new scholars, and broadens access to valuable data sources. Since its inception in 1998, the Center has established a reputation as an authoritative source of information on all major aspects of the retirement income debate.

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The Center for Retirement Research thanks AARP, BlackRock, Inc., The Blackstone Group L.P., The Capital Group Companies, Inc., J.P. Morgan Asset Management, MassMutual Financial Group, Prudential Financial, Sage Advisory Services, Ltd. Co., State Street, and TIAA Institute for support of this project.

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The research reported herein was supported by the Center's Partnership Program. The findings and conclusions expressed are solely those of the author and do not represent the views or policy of the partners, Boston College, or the Center for Retirement Research.