



Madison
Connecticut

Tax Relief Overview

Ad Hoc Senior Tax Relief Committee
Recommendation

2/17/2016



Committee Charge

The Town of Madison has provided property tax relief over the years for senior citizens meeting certain age, income, and residency guidelines. The Committee was asked to investigate existing and potential new programs, including a tax freeze, for easing the property tax burden for Madison's seniors with the most need. The Committee has completed its deliberations and is making its recommendations to the Board of Finance in accordance with CGS § 12-129n.

The report includes an analysis of the fiscal effect of such property tax relief on property tax revenue and recommendations with respect to the form and extent of such property tax relief.

Members

- Herb Gram- Chair
- Craig Bernard- Vice Chair
- Peter Thomas- Secretary
- Scott Gyllensten
- Ron Hick
- Town liaisons- Alma Carroll & Austin Hall
- Community at large- consistent attendance and participation

The Committee members have appreciated the opportunity to review the current Senior tax relief programs and provide guidance to Board of Finance/ Board of Selectman. Although we worked with a limited time frame to complete our task due to State Statutes, the committee has developed a comprehensive, well researched, and conservatively modeled plan.

Summary Recommendations

- Based on what the Committee has learned we recommend the implementation of an **additional** tax relief program to be referred to as a “tax freeze”, that we recommend would be in place for the 2017/2018 fiscal year.
- The Committee also recommends changes to the existing Deferral and Abatement programs to allow for better coordination of the program benefits.
- We believe we have attained a balance between providing a much needed and meaningful benefit to Seniors while also seeking to be financially responsible.
- The committee also acknowledges the previous work completed by Scott Gyllensten and the Madison Cares Coalition that provided a great resource and starting point for the committee.



Pros

- Cost neutral to Town
- 100% tax deferral is allowed, however, it will not exceed \$8,000 in any one tax year. (This figure may be modified by the Board of Finance in the future)

Cons

- Limited participation
- Tax deferrals will be secured by a lien for the full amount which has both actual and perceived detriments
- To be eligible, applicants' mortgages, home equity and other liens cannot exceed the assessed value of their homes

Recommendations

- Maintain the current program
- Consider increasing income limitations to be in line with suggested income bands associated with both the abatement and proposed tax freeze programs



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Existing Programs

Tax Abatement

What is the amount of tax relief?

- Qualifying residents with between one and four years of residency and with income up to \$63,660 may be eligible for \$100.00 in tax relief.
- Qualifying residents with five or more consecutive years may be eligible for tax relief as follows:

| INCOME | TAX RELIEF | Participants |
|---------------------|---------------|--------------|
| \$18,778 and under | \$1,269 (40) | 40 |
| \$18,779 - \$38,199 | \$1,032 (160) | 160 |
| \$38,200 - \$50,931 | \$761 (101) | 101 |
| \$50,932 - \$63,660 | \$490 (83) | 83 |

Details

- Individuals must complete the application for the State's Elderly and Totally Disabled Homeowners tax credit program.
- Applicants who would qualify for the state program or any other state tax relief program must apply for those programs prior to seeking local property tax deferral.
- Applicants must complete the Town of Madison addendum for determination of Madison's Tax Relief
- Applicants apply between February 1st and May 15th every other year.
- Documentation is required to authenticate income; such as federal income tax return or for those not filing a return other evidence of qualifying income



Madison

Connecticut

Existing Programs

Tax Abatement

Pros

- Any person who owns and occupies property in the Town of Madison as a primary residence may be entitled to tax relief for the elderly and/or the totally disabled, if they meet the qualifications of the program

Con

- Deferral and abatement programs do not address the issue of variable taxes on a fixed-income population
- Both the Deferral and abatement programs have income caps at \$63,660
- There are no programs to assist seniors above the \$63,660 income level, which is well below the town's median or average income
- Neither program reduces the risk associated with revaluations

Recommendation

- Maintain program
- Bring income bands in alignment with proposed age bands associated with proposed tax freeze program

Highlighted Discussion

- While unquantifiable the committee acknowledged that there is a potential benefit to the town of providing further tax relief programs to needy senior citizens, as this may result in a lower utilization of town resources than families with school age children.
- There was consideration given to changing the existing tax abatement program to provide benefits similar to a tax freeze, but the uncertainty associated with future property tax increases persists.
- There was discussion on discontinuing the use of the abatement program in favor of a tax freeze program, but there are currently individuals that utilize the program that would have their benefits reduced and this would therefore be detrimental.
- The committee is proposing to implement a tax freeze program **in addition** to the tax abatement program and running both in conjunction. The tax freeze program offers unique and consequential benefits in relationship to the abatement program and therefore is worth the consideration.
- Qualifying homeowners would receive the greater benefit offered by either program on an annual basis. Benefits are allocated towards tax abatement first, then the tax freeze program, if individual is eligible for both.
- Lower income homeowners will potentially receive additional benefits by utilization of multiple programs.
- There is currently an underutilization of the funds available that are allocated to the abatement program.



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Connecticut

Recommendations

- The committee is recommending an additional tax relief program which will be referred to as a tax freeze program. The committee extensively reviewed other existing tax freeze programs and specifically the Town of Guilford's program as a guideline. The Town of Guilford has very similar demographics to the Town of Madison. This similarity provided the committee with data for modeling (projection of utilization and cost), and a successfully operating plan description.
- The committee recommends a program comparable to Guilford's.
 - There are some important distinctions that will be potentially more financially viable for Madison's program while also guiding overall program benefits to individuals with the greatest need.
 - This proposed freeze program includes a suggested asset test not currently utilized by the Guilford program. While the proposed freeze program expands the upper income household tier offered by Madison's abatement program it is lower than that specified in the Guilford program.
 - Madison's proposed tax freeze plan also suggests expanded residency requirement bands from the program offered by the Town of Guilford.
- The plan also considers and addresses simplified administration of programs by recommendation of alignment of income brackets and qualification levels of both abatement and freeze programs.

- The committee is recommending an increase to the annual funding of the tax relief programs from the current 70 bps to 100 bps.
 - The committee's recommendation to adjust the funding level is to provide a buffer to the benefit if assumptions or utilization levels increase greater than projections.
 - If in a particular year the cost of the program exceeds the cap the committee suggests that the obligation of the tax abatement program is met prior to the tax freeze program. Remaining funds to be allocated to the tax freeze program on a pro-rata basis.
- The committee makes a recommendation to the Board of Finance to consider using a 25% increase to the prior year's **actual** utilization when budgeting and setting Mill rate. We believe this may alleviate or lessen the potential to overfund the benefit and draw funds away from other worthwhile programs or services.
- Based on our suggestions the projected utilization of tax relief benefits would increase from the current 23% level to 30% and continue to assist a greater number of Seniors going forward. The committee believes the above mentioned proposals meet the charge of the Selectman by expanding the current tax relief programs and assisting the neediest of residents.



- The Town assessor has recommended an amendment to the Town tax relief ordinance. Specifically there is a need to address a shortfall within the application process which may disqualify a resident from receiving benefits.
 - The application for State benefits uses October 1st as a cutoff for residency verification.
 - If a resident moves within Town from October 2nd thru May 15th they would not qualify for State benefit.
- Currently neither the Tax assessor nor the tax collector can make any allowances or adjustments to compensate for this gap.