Massachusetts Model Means-Tested Residential Exemption Laws

Five towns in Massachusetts have adopted a model of Residential Exemption known as a Means-Tested Residential Exemption (MTRE). Unlike the State's Residential Exemption (SRE), which applies an exemption to a broad swath of owner-occupied residential properties without regard to the income, assets or age of the owners, MTRE's grant property tax exemptions to seniors only, based on their income and assets. MTRE's are subject to specified caps on house value and overall cost to the town's budget. Most MTRE's are revenue-neutral to the town, with the cost of the benefit redistributed among all residential taxpayers by a commensurate increase in the tax rate.[26]

The appeal of means-tested exemptions is their higher precision in targeting residents in need of assistance. Such targeting reduces the broader housing market impacts of the residential exemption, and creates more modest tax shifts.

Sudbury created the first model means-tested exemption, which has its main elements copied by Concord, Reading, and Hopkinton (see table, below, with distinguishing details among these models). Under the "Sudbury model", a taxpayer who is 65 or more years old, possessing home and asset values below a modest level, and at least ten years residency could receive a property tax reduction calculated to bring their tax level down to 10% of their income.

Wayland has adopted a second type of means-tested Residential Exemption. Under Wayland's MTRE version, homeowners who meet the State Circuit Breaker's eligibility criteria (see second table below) receive a match of up to a 100% of the Circuit Breaker limit (presently $1100), provided the amount does not reduce their property tax bill to below ten percent of their income. Reading's version of this model provides a benefit that is between 50% and 200% of the Circuit Breaker benefit.

[26] Wayland's exemption is funded from the levy and is therefore not directly offset by increased levy.

Massachusetts Model Means-Tested Exemption Laws

	Sudbury	Concord	Reading	Hopkinton	Wayland “Circuit Breaker Matching”
Income Limit	Per Circuit Breaker	Per Circuit Breaker	Per Circuit Breaker	Per Circuit Breaker	Per Circuit Breaker
Asset Limit	“Excessive”	“Excessive”	“Excessive”	“Excessive”	No test
Age	Per Circuit Breaker	Per Circuit Breaker	Per Circuit Breaker	Single 65+, joint 60+ allowed	Per Circuit Breaker
House Value	Average Single Family Home (SFH) +10%	< Median SFH	Per Circuit Breaker	Per Circuit Breaker	Per Circuit Breaker
Residency	10 year consecutive	10 year consecutive	10 year consecutive	10 year consecutive	10 year consecutive
Benefit	Exemption of the amount that property tax exceeds 10% of income, less the amount that the homeowner qualified for under the Circuit Breaker income limits.	Exemption of the amount that property tax exceeds 10% of income, less the amount that the homeowner qualified for under the Circuit Breaker income limits.	50% to 200% of the amount that the homeowner qualified for under the Circuit Breaker	Set annually by Selectmen- benefit is 50% to 200% of State Circuit Breaker	Up to 100% match of the Circuit Breaker
Benefit Cost Cap	Maximum total of benefits is .5 to 1 % of levy, pre rate-setting per Selectmen	Maximum total of benefits is .5 to 1 % of levy, pre rate-setting per Selectmen			none
Who funds?	Residential reallocation	Residential reallocation	Residential reallocation	Residential reallocation	Municipal Budget not reallocated

Massachusetts Circuit Breaker Parameters, 2018 Tax Year

Income Limit	Single: $58,000. Head of Household: $73,000. Married, filing jointly: $88,000.
House Value Limit	$778,000.
Maximum Credit Given	$1,100.

Adoption

Creating an MTRE requires a town to write a home rule petition asking for state approval. Because the Committee was inclined towards action, our initial intent was to select an optimal match for Lexington from among the existing models. However, as we delved deeper, we discovered that assessors were dissatisfied with the ambiguity of adopted legislation, and it was not clear that these other models would function exactly as desired for Lexington. The next section provides additional details about existing implementations, while the following section proposes possible models for Lexington.

Limits on Exemption Efficacy

As the Committee learned more about MTREs as implemented elsewhere, we encountered evidence that both the SRE and MTREs could cost a municipality money which would then be offset by reduced state aid to local residents. For example, an individual in Lexington may receive a $1100 income tax rebate each year due to the State Circuit Breaker, because their property taxes exceed 10% of their income and their income level qualified. However, if Lexington adopted a tax exemption which reduced their property taxes by $1500, pushing the individual’s tax-to-income ratio below 10%, their state income tax rebate from the Circuit Breaker would be reduced to zero. Thus, the taxpayer would only net gain $400 of the $1500 provided by Lexington. In discussing the MTRE with the implementation expert in the Wayland Assessor’s Office, it was confirmed that several taxpayers receive a Wayland Circuit Breaker match on an every-other-year basis, as the local funds not only displace the State funds, but in fact make the taxpayer ineligible for local reduction on an alternating year basis. Thus, legislation could reduce predictable cash flows for residents and cost the town money which serves no net benefit for residents.

Funding

A MTRE can be funded by reallocation to the residential property tax class (as the SRE does), to all property tax classes, or funded via an overlay account within the tax levy. Because MTREs typically require less than 1% of a town’s revenue, either approach might prove practical. As the MTRE comparison chart above demonstrates, communities following the Sudbury model have funded their exemptions by increasing the residential tax rate, while Wayland funds from an overlay account.

An Assessor’s Perspective on Means-Tested Residential Exemptions

Lane Partridge, the Concord Assessor and the Chair of the Massachusetts Assessor’s Association, met with the Committee on November 16, 2018 to share Concord’s experience with the implementation of Special Legislation that granted Concord their own version of a Means-Tested Residential Exemption.

The Concord law is based on Sudbury’s means-tested exemption with the exception of capping Concord’s eligible house value at the town’s median single family occupancy (SFO) value rather than the *average* SFO plus 10% limit utilized in Sudbury. Otherwise, both Concord and Sudbury’s eligibility parameters match those of the State Senior Circuit Breaker Property Tax Credit.

The first year of Concord’s implementation was FY 2018, which is based on income and property data from Calendar Year 2017.

Implementation Issues Experienced by Concord

Some Committee members felt means-tested exemptions would depend on adjusted gross income (AGI) reported on one's state tax return, and would therefore fairly easily calculated. Instead, the Circuit Breaker application and Massachusetts models use the Circuit Breaker income worksheet--which adds Social Security and other distributions not taxed on the State tax return. The Concord assessor hired a CPA to assist their office in understanding the Circuit Breaker process. In their experience, taxpayers routinely make errors in filling out these complex worksheets, and the assessor's office has a duty to review each application for accuracy, which is a time consuming process.

As with other means-tested exemptions, asset limits are not specified by Concord's law. Instead, the law gives the Concord Board of Assessors the authority to set the policy on other assets. The Concord assessors exclude applicants with more than $250,000 in additional assets. The assessor shared with the committee that external asset testing was made difficult by the lack of accurate reporting by applicants. The Concord assessor specifically highlighted that the population a means-tested exemption is designed to target may have lower levels of financial literacy and an inability to self-assess eligibility or provide accurate information to an assessor without further support.

In the end, a large effort on the part of Concord assessment staff was required in year one to provide a small number of property tax exemptions. While 250 Concord residents were approved for the state Circuit Breaker in 2017, only 59 applied for the Concord MTRE. The assessor indicated that multiple announcements and mailings had been distributed, so their office believed most eligible residents had been notified, and they hypothesized that the $250,000 asset limit had discouraged many applications. Of the 59 applicants, only 49 were approved in FY2018. Thus, the Concord effort reaches only 20% of circuit breaker applicants, and provides a benchmark should Lexington adopt similar provisions.

Perspectives from Economists and Housing Policy Experts

As referenced in the SRE section of this report, the Committee invited a panel of four experts on housing policy and economics to a round table conversation on October 5, 2018. The panel noted that MTREs differ from the SRE in that the benefit is based on the taxpayer's need rather than on the value of the taxpayer's property. It benefits a smaller, but more targeted group of beneficiaries and, unlike the SRE, it doesn't have as significant unintended effect of impacting home values. The MTRE approach can assist lower income seniors at thresholds determined by Lexington itself.

The panel described a few drawbacks of existing MTREs as well. One is that the ten year residency requirement in place in some communities may violate federal standards on mobility. (A second issue with this residency requirement was voiced at the Lexington public hearing, which is that a long residency requirement might have the unintended side-effect of promoting Lexington's existing racial and ethnic demographic over groups outside Lexington.) On the other hand, a residency requirement can satisfy taxpayers that an exemption intended to help residents struggling to remain in their homes would not be consumed by newcomers who might deliberately purchase properties calculated to take advantage of these programs.

Panel members also discussed the Lexington Tax Deferral program as an important property tax relief tool that seems to be an under-utilized program. The panel felt that effort spent on educating residents about and promoting this program might be the most effective approach for assisting lower income senior residents.

Summary

In short, the committee examined existing means-tested residential exemptions (MTRE). The direct consequences of these programs were not always efficient, with local tax reductions offsetting the state circuit breaker. These discussions made the committee aware that *even the SRE would result in fewer state circuit breaker deductions*, another example of how local exemption dollars could fail to land in the hands of local taxpayers and relieve tax burden.

The committee felt that none of the existing programs was ready for direct duplication, nor was an easy best-of-breed legislation approach possible. Assessors and staff interviewed shared that they had wished their committees had studied legal provisions in detail before adopting legislation. Therefore, the committee undertook to provide broad outlines to legislation which could be crated for Lexington, a subject to which we next turn.

Lexington Means-Tested Exemption Proposals

A straw poll found the committee had mixed reactions to the SRE but were generally enthusiastic about Lexington adopting a variant of a means-tested residential exemption. The committee also recognized that existing means-tested legislation have acknowledged gaps or flaws, and with the opportunity to draft a specific Lexington home rule petition set about attempting to do so. A first obstacle was that the committee does not have a specific charge for which segment of the population should be assisted, and opinions varied about who should be helped. Should a Lexington proposal help lower income or house poor? Should it help the homeowner or the renter? Should it treat the long term resident the same as the newcomer?

After initial research, the committee proposed two “types” of exemption proposals, and recognized that it does not make sense to draft detailed legislation without clear community support for a particular purpose. The committee provided the Selectmen an interim update in January 2019, and based on their input have decided to outline these two types of exemptions but not draft legislation. Therefore, this chapter is not intended to be a comprehensive blueprint or legislative draft, and it will require community participation to determine a course of action and then additional work from a future body to evaluate and propose the details of the final legislation.

This chapter will first review the eligibility criteria found in typical means-tested proposals, and share what the committee has learned or recommends in each area. Then the chapter will describe two types of proposals: one proposal focused principally on residents with limited means and a second focused primarily on residents who have reached a certain age.

Finally, it should be noted that an expedient path is for the Lexington Selectmen to lobby for changes in state legislation. The existing Massachusetts circuit breaker could be changed to expand eligibility to Lexington residents who need financial assistance but live in homes above the circuit breaker cutoff. The maximum amount of the circuit breaker could be increased to be more in line with typical property tax payments. Finally the state legislature should ensure legal support for residents to take advantage of tax deferrals.

Lexington Proposals

Many considerations impacted the design of possible proposals. Here we outline rationales which informed the committee in construction of proposals. Following the rationales, two proposals are introduced and evaluated against criteria.

Rationales for Eligibility

Age: With an aging population that is staying health longer and retiring later, using age 65 as an age cutoff has the unfortunate effect of making so many residents eligible that levels of financial assistance become diminished. It makes sense to start financial assistance at age 70 or later to balance the desire to provide assistance with the number of individuals who may feel that their age justifies assistance. As an individual ages further beyond 70, access to new sources of income may diminish due to declines in physical mobility and intellectual agility.

Home Value: Capping eligibility based on the *median* Lexington home value may make political sense, so taxpayers are not subsidizing those who choose to remain in better than median homes.

Asset Level: Households with material asset bases may be reasonably expected to tap into those asset bases before receiving a town subsidy. We may reasonably expect younger retirees to require more assets than older retirees because it is assumed that their assets will have to last them for a longer period of time. However it is not clear that this would require applying higher thresholds for younger retirees. Maintaining a consistent asset level across ages would have the effect of providing more relief for senior retirees and less to younger retirees who should have a larger asset base.

Income Level: Combined with assets, lower income is commonly thought to represent need. However, with the advent of Roth IRAs which do not have required minimum distributions (RMDs) of IRAs, households may be able to better control the years in which they receive income and through financial planning create evidence of a need for financial subsidy. Therefore, income cannot be the only means-testing criterion. We have also learned that the Circuit Breaker income formula includes non-taxable sources of income, and therefore it also seems important to follow that pattern rather than using adjusted gross income (AGI) from a tax return.

Ownership: The guiding principle is property tax relief, so the notion advanced is that someone paying property taxes is (by definition) an owner and would be the one receiving relief. Therefore these criteria collectively focus on access to income and assets for a beneficial owner(s). This also avoids a "rent-a-senior" situation where a senior citizen participates in the household specifically to provide relief for an otherwise unqualified owner. The committee also discussed whether Lexington should follow the state Circuit Breaker pattern in providing tax relief to renters as well. From the Wayland assessor's office we learned that providing financial assistance to renters involves assisting a resident which has no direct property tax to rebate or refund, and at best imputing taxes which are not paid by the individual. Therefore the committee does not recommend directly undertaking *property tax relief* for renters (despite survey evidence indicating significant housing stress).

Residency Length in Lexington: An argument for longer residency requirements is to benefit those individuals who have already "paid into" the local tax system and are not simply moving into town for a tax break, while an argument to waive residency requirements was a concern raised by Peter Enrich that such requirements might violate mobility guidelines in federal law. Towns with existing means tested exemptions have residency requirements. The Committee feels that a 5 year residency requirement is a compromise between paying into the system and yet maintaining openness and support for newcomers. Proposed legislation should specifically address whether the length of residency is additionally restricted as contiguous or recent.

Rationales for Benefits

Materiality: Benefits should be material enough to have an appreciable effect on the beneficiary's financial decisions. A program with immaterial benefits and significant administrative costs makes no sense.

Supplemental: The benefits received should be assumed to accompany other remedies and breaks available to a household, such as the State circuit breaker and Lexington's tax deferral program. Lexington's proposal should avoid displacing other financial assistance available to the homeowner, and instead be crafted to add to existing financial supports.

Justifiability to other residents: The survey indicates that a large part of the population has difficulty with housing costs, so any benefits should be justifiable even to another resident struggling with housing and not receiving a benefit.

Targeted: Benefits should be targeted to individuals with demonstrated need.

Housing Price Impact: Benefits should be designed so that they attach to the individual rather than the property, and thereby avoid adding material distortion to housing prices.

Financial cliffs: Critics of existing state and local policies point to financial cliffs, causing a household slightly above a criteria to lose all financial assistance. Legislation should provide smoothing as possible, yet avoid excessive complexity.

Predictability: Total benefits offered to a household should be relatively consistent from year to year, avoiding every-other year effects or other oscillations due to interactions with other systems.

Widow-Protection: The benefit system should avoid penalizing those who become widowed. (Existing systems tend to lower income and asset thresholds upon death of a partner, and fail to reflect that many household costs continue beyond that event.)

Understandability: Taxpayers and beneficiaries should be able to comprehend the benefit system being proposed.

Flexibility for Government: As benefits are indexed to other legislation (such as the Circuit Breaker), enough flexibility should exist that town government can respond when material changes occur to demographics or to related legislation (such as the Circuit Breaker being rescinded).

Flexibility for Individuals: Avoid restrictions that impose undue burdens for beneficiaries who seek to relocate within Lexington or remodel their home, especially for home modifications which allow homeowners to age in place.

Impacts on Town Budget: The beneficiary pool should be small enough that material support to targeted individuals could be absorbed with a relatively small impact among non-beneficiary taxpayers or within the town's annual budget.

Proposal #1: Circuit Breaker Style Means-Tested Exemption

This proposal was developed with the intent of reflecting the goals of other MTREs while adjusting for limitations such as addressing needs of widows and avoiding local tax rebates which result in reduced state circuit breaker and therefore are wasteful uses of local funds.

Goal: Provide material assistance to seniors with demonstrated financial need as a supplement to existing vehicles (circuit breaker, deferral, etc.). The objective is to lower a household's property tax contribution closer to 15% of income for those households experiencing high levels of property tax stress.

Eligibility:

Age: 70+ years

Owner: Oldest owner of household, with 50%+ beneficial ownership

Residency: 5 years, with 2 continuous

Home Value: At or below median class one residential property

Asset level[27]*:* A multiple of the maximum income threshold on the state circuit breaker (currently joint income) between 1.0 and 5.0. The maximum asset level multiplier is set by the Selectmen annually, and is an identical figure for all households independent of filing or marital status.

Income level: Use the joint married Circuit Breaker income limit to calculate (note below how the benefits are factored).

Benefits

Home owners:

For households with assessed value at or below the State Circuit Breaker maximum level:

- Households with income below the individual threshold (currently $58,000) can receive up to N times the circuit breaker value. Selectmen set the value of this circuit breaker multiple annually, to be between 1.0 and 3.0. The multiple of the state circuit breaker is the planned reduction in an individual's property tax bill, provided the reduction in addition to the individual's prior year state circuit breaker, does not depress property tax to income ratio below 15%, and in the event this would occur, the benefit is adjusted downward to the figure which matches 15%.
- To reduce the financial cliff effect, households with income above the individual threshold but below the joint threshold (currently $88,000) would receive 1.0 times the state circuit breaker as a property tax reduction, provided the reduction in addition to the individual's prior year state circuit breaker, does not depress property tax to income ratio

[27] Asset level excluding primary residence, personal effects, motor vehicles and cemetery plots (as in 41C).

below 15%, and in the event this would occur, the benefit is adjusted downward to the figure which matches 15%.

- For households with assessed property value above the state Circuit Breaker maximum but below the town median: The same 1.0 level benefit is proposed as for those who are at or below the state circuit breaker maximum. (In effect, the town benefit extends to the town median residential value when that value is above the state circuit breaker limit.) These households would receive the full circuit breaker amount rather than a multiple of it, but provided by the town.

Renters:

- No benefit

Annual Action by Selectmen:

- Determine the maximum asset threshold by setting asset multiple of joint income to a figure between 1.0 and 5.0
- Determine maximum Circuit Breaker multiple, by setting this figure between 1.0 and 3.0, for households meeting all criteria with total income below the individual threshold of the state circuit breaker.

Funding: Levy or tax rate adjustment

Estimate of Financial Impact:

Estimate 450 circuit breaker households

Estimate 50% meet asset criteria:

225 recipients

Estimate that 1.15 times circuit breaker is average benefit received (due to 15% threshold, and income thresholding applied):

225 * 1.15 * $1100 = $284,625

Further,

Estimate 350 households would meet circuit breaker income criteria but do not meet market value criteria due to $778,000 cap, but would have a home between that value and the Lexington median assessed value ($950,000).

Estimate 40% meet asset criteria:

140 recipients

Estimate that 1.15 times circuit breaker is received:

140 * 1.15 * $1100 = $177,100

Total cost to town: $467,725

Total beneficiary households: 365

Average benefit/household: $1,265

Proposal #2: Octogenarian Means-Tested Tax Exemption

This proposal was developed in response to a concern voiced in the committee's second public hearing about meeting the needs of superannuated seniors. Existing tax policies do little for an aging population and do not seem to reflect the needs of those who live beyond traditional life expectancy. It seems that Lexington and Massachusetts could provide more support for this population which uses few public services at little net cost to taxpayers.

Goal: Life expectancy in Middlesex County, Massachusetts is 80 years. Residents who outlive life expectancy may struggle to balance retirement savings and asset levels with increasing and unpredictable property taxes. The guiding principle for this proposal is to reduce housing stress by substantially retarding increases in residential property taxes for residents upon reaching age 80, while providing the flexibility for individuals to move within Lexington.

Eligibility:

Age: 80+ years old

Owner: Oldest owner of household, with 50%+ beneficial ownership

Residency: 5 years, with 2 continuous residency and ownership

Home Value: At or below median home

Asset level: A multiple of the maximum income threshold on the state Circuit Breaker (currently joint income) between 1.0 and 5.0. The asset multiplier is set by the Selectmen annually, and is an identical figure for all households independent of filing or marital status.[28]

Income level: multiple of the maximum income threshold on the state circuit breaker (currently joint income) between 0.7 and 1.2. The income multiplier is set by the Selectmen annually, and is an identical figure for all households independent of filing or marital status.

Benefit: Two types of benefits were discussed by the committee. One based on an index factor is straightforward to calculate but does not ensure that taxes are frozen. Another would be to *freeze property tax contribution amounts*, but then include provisions for intra-town mobility, material reassessment, remodeling, etc. In this section, we estimate financial impact using an index factor method.

Calculate the "Index Factor" (IF) as follows:

IF = (Oldest owner age - 79) * .03

Property tax reduction = IF * property taxes

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[28] One issue to resolve is whether household assets should be prorated for beneficial interest or another adjustment to remove incentive to divorce to bring household assets under this threshold.

Examples:

80 year old owner: 3% reduction

85 year old owner: 18% reduction

90 year old owner: 33% reduction

95 year old owner: 48% reduction

Annual Action by Selectmen:

- Set maximum asset level multiplier
- Set maximum income level multiplier

Town perspective: A medium-sized adjustment would occur in the year of implementation, but in subsequent years it would appear as if the tax increases were not landing on 80+ year olds with modest or medium means. Younger age-range households would absorb slightly higher tax increases to offset. If the program retains more octogenarian seniors or life expectancies increase, then reduced town expenses due to lack of use of public schools by the 80+ population will largely offset further rebate increases to octogenarians. If the program does not impact migration patterns, then only a nominal financial impact would occur after the initial small adjustment.

Household perspective: Because property taxes increase 3-5% per year, these scaled increases would have the effect of keeping property taxes relatively stable for a household after its oldest owner reaches age 80. In the year of implementation, some households would see a large drop in property taxes, which could even be more than 30%. But in future years, households with an owner aged 80+ years would no longer see property tax bills with cumulative and material increases from year to year. This would give octogenarians comfort when aging in place. (Tax deferral should remain an option as well.)

Funding: Tax Shift across all classes of property.

Analysis of Financial Impact:

Using town address list (see table on the following page):

2,031 Lexington residents age 80+

547 are in Brookhaven or other non-residential property

1,484 are possible owners and renters, and occupy 1,128 distinct addresses

Taking the oldest householder at each address, we calculate the mean age as 85.8 and the mean benefit at 20.5%.

Assume the Selectmen set the asset ratio of 5.0, for a max asset level of 5.0 * $88,000 = $440,000, and set the maximum income ratio of 1.0 for 1.0 * $88,000 = $88,000.

We may estimate that 65% of households would meet the requirements of residency length, maximum home value, maximum asset level, maximum income, and are owner occupied.

733 Households = 1,128 * 65%

FY2018 average home assessment $918,772.

Assume avg 80+ year old lives in home with 80% of average assessment, then average 80+ year old home assessment: $735,018.

FY2018 average tax bill would be: $10,511.

With 20.5% reduction, average reduction: $2,155.

733 households * $2,155 per household = $1,579,398 total cost to Lexington

Total cost to town: $1,579,398

Total beneficiary households: 733

Average benefit/household: $2,155

Number of 80 Year Olds Known Non-Owners Living in Lexington's Residential Zoned Property (2018)

Address	**Count**
Brookhaven (1010 Waltham Street)	297
10 Pelham Road	90
William Roger Greeley Village	50
178 Lowell Street	30
30 Watertown Street	28
Main Campus Drive	27
840 Emerson Gardens	19
Katahdin Drive	6
Total	**547**

This table identifies residences where 80+ year old residents currently reside. Most of these locations are either senior housing, rental, or property which is not owner occupied.

Property Tax Freeze Models in other States

While Massachusetts has modest programs to assist senior citizens, some states have more robust programs to protect seniors against property tax increases. While none of these models should be directly transferred to Lexington, they are cited as evidence that creating an age-based program which targets the elder population may have merit. Lexington could promote such a program at the state level, or it could adopt its own home rule petition and create an opportunity for other communities to follow.

The following chart compares potential models for tax freezes from New Jersey, Texas, and Tennessee. The age eligibility for all three starts at 65, and New Jersey and Tennessee have income limits. In New Jersey, the difference in dollars from the first year is reimbursed, while in Texas and Tennessee, the rate is frozen at the first qualifying year. Frozen tax levels are adjusted if home improvements occur.

	New Jersey	**Texas**	**Tennessee**
Age	65+	65+	65+
Other Eligibility Requirements	Lived there for 10+ years, income less than ~$87,000 (2017)	n/a	Income below threshold (~$29,000-$52,000 depending on county)
Benefits	Taxpayer reimbursed by state for property tax levels above amount paid in first qualifying year.	Property tax amount set in first qualifying year.	Property tax set in first qualifying year.

Evaluation

While the Committee charge does not explicitly state Lexington's elderly as its focal subpopulation, the particular circumstance of retired, potentially less-mobile community members who purchased their homes when residential property taxes were a fraction of the current rates is a concern of this Committee and of community members who have communicated to us over the course of the past year. Testimony by particular individuals highlights how vulnerable this population can be, motivating creation of Proposal #2 above.

Although a committee concern, we must highlight that Lexington survey data does not lend support to the notion that the elderly experience greater housing stress than other age categories, nor that they are more likely to migrate away from Lexington. The Committee's decision to focus on this age cohort instead reflects our view that these residents are less able to migrate or gain employment when financially strained, use relatively few town services, and deserve some predictability in financial expenses. For that reason, both proposals contain age thresholds.

For potential beneficiaries, the primary differences between these two proposals are that Proposal 2 restricts benefits an older group of "super-seniors" than does Proposal 1 and that Proposal 2 provides a larger benefit, which continues to increase with age.

For cost and implementation considerations, the number of beneficiaries and cost would be much larger under Proposal 2. Implementation costs are likely to scale with number of applicants. To fund Proposal 2, in particular, a redistribution of costs among younger and wealthier residents would be necessary. These other residents may not wish to fund their elderly neighbor's home assets--value that would likely pass on to heirs. Some degree of participation in the property tax deferment program could be added as a requirement to mitigate this issue.

	Means-Tested RE	Age-and-Means Tested RE
Property Tax Related Housing Stress: Precision	Fair precision if objective is helping those with limited means	High precision if objective is helping 80+ year olds
Property Tax Related Housing Stress: Recall	Low recall if goal is to relieve housing stress across community	Recall high for 80+ year olds with limited income
Total budgetary impact - Lexington budget	None	Possible reduction in aggregate demand for schooling, but less than size of tax shift to occur.
Short term Housing Market Impact (Prices / Rents)	None	None
Optimal Allocation of Housing (& flexibility for future) - who's in it and ownership assumption, condoizing, tear down	None	Goal to support 80+ in home may reduce optimal allocation of housing
Equitable Taxation	Small	Debatable

Migration	?	?

Recommendations

The committee has appreciated the opportunity to dig deeply into the subject of residential exemptions, an area which has relevance to Lexington's long term success as a community. We have been privileged to have the time to interview many subject matter experts, conduct a detailed survey, and talk to assessors, policy makers and numerous residents. Through this process, we have learned that many Lexington residents are concerned about local taxes, and yet there is widespread support for figuring out the right course of action.

While the committee has debated the state residential exemption at length, and only a minority can support it, the committee can agree on a set of policy recommendations which may serve the needs of the community. Unfortunately, acting on these recommendations will take time, and some committee members are concerned that not all residents have time for long processes. Therefore we urge the Selectmen to take up these items quickly.

Recommendations

1. Do not adopt the Massachusetts Residential Exemption
2. Determine whether the community should further evaluate or adopt a means-tested or age-based residential exemption.
3. Promote awareness of existing programs such as tax deferrals, senior exemptions, and the Massachusetts Senior Circuit Breaker Property Tax Credit.
4. Evaluate increasing eligibility thresholds significantly for a Lexington tax deferral.
5. Advocate for expanded access to the tax deferral for homeowners with existing or future mortgages and home equity loans.
6. Advocate for expanded access to the Senior Circuit Breaker Property Tax Credit for surviving spouses and those with higher home assessments as well as expanding the level of rebate.
7. Further study the financial needs and supports required for Lexington's superannuated population to age in Lexington.
8. Further study out-migration and satisfaction for Lexington residents, while specifically targeting middle-aged residents (who have the highest rate of forecast out-migration) and senior citizens who are typically net contributors to town finances.

These provisions are to be voted on by the Committee. The votes should be recorded here for these recommendations.