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Property Tax Exemption Based on Age

John Cowie

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JOHN COWIE
MASSACHUSETTS

AN ACT EXTENDING THE EXEMPTION FOR REAL PROPERTY TAXATION TO PERSONS SIXTY-FIVE AND OVER

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same as follows:

Section 1. Short Title. This act may be cited as the "Real Property Tax Exemption For The Aged."

Section 2. Purpose. The purpose of this act is to provide relief to the aged homeowner when the need commences; at normal retirement, age sixty-five.

Section 3. Chapter 59, section five, clause seventeen is hereby amended by striking out, in line three, the work seventy and inserting in place thereof the word sixty-five.

Section 4. Chapter 59, section five, clause forty-one is hereby amended by striking out, in lines four, six and seven the word seventy and inserting in place thereof the word sixty-five.

COMMENT

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The property tax is today, as it has been in the past, the mainstay of local governmental finance. Providing 72% of state revenue in 1890 it dropped to 3.3% in 1957 while local governments received 92% and 86% respectively for the same period. Because of this dependence, the trend of higher costs and increased demand upon the property tax is a primary concern of state as well as local government. To meet the large commitments in school construction, teacher salaries, law enforcement, road and highway maintenance and to meet the call for pollution control, the general property tax has been increased year by year. To cover the additional burden on him, the taxpayer relies upon increases in his wages but for some the increases do not come and when they do, they are for the most part, insufficient. The aged retiree is just such a person who is faced with this problem.

In prior years, when the nation was still primarily an agricultural nation, the value of the family property served as the main basis for determining ability to pay property taxes. Land was wealth. The maintenance of and standard of living depended directly upon the land, and ability to pay taxes was measured by the actual selling value of the property. Property generated income and the tax was based upon this ability to generate income. Today the nation is no longer agricultural but basicly industrial and the wealth of the individual is determined more so by his value in the market, that is, by the wages he earns than by the value of his property; although this value may be an indication of his earning power. The aged retiree though does not actively participate in the economy and his income is relatively fixed and low. In 1961 the median income of a family with an aged head was 51% of that for a younger family but only 46% in 1967. Three out of ten people sixty-five and older were living in poverty in 1966, yet many of these aged people did not become poor until they became old. About five in ten families with an aged head had less than $4,000.00 income in 1967, about one in five was below $2,000.00. With a glance towards the future the report noted that of families retiring in the next decade and a half, 60% of those with pre-retirement earnings between $4,000.00 to $8,000.00 will receive pension income of less than half these earnings.

In addition a change has taken place in the household. The aged retiree must continue to be self-supporting after leaving active employment. The State of Massachusetts in its report to the 1961 White House Conference on Aging noted the transition from the former household which included grandparents and children, to today's household which is composed of only the parents and young children:

> A striking change in the American Family since the turn of the century has been the shift from a larger extended multi-generation unit to one that generally includes only parents and their children. Where older persons formerly lived with their children and grandchildren this is now true to a much lesser extent. The change has been accompanied by a reciprocal alteration in the relationship between older persons and their adult children. On the whole younger persons no longer feel the same sense of responsibility towards their parents as was true 50 years ago. And the older persons themselves no longer expect to get the same kind of respect and support from their children as was the case at the turn of the century.[1]

Rep. Edward Boland of Massachusetts offered the same conclusion in 1961 in a prepared statement for a special United States Senate Committee on Aging:

> The high degree of urbanization and industrialization in Massachusetts implies that a large percentage of the State's population is dependent on wages. In contrast to the wage earner, the aged member of a farm family can continue to make himself useful long after the industrial worker has been laid off due to age. Moreover, farm families are more likely

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1 A Report by the Subcommittee on Problems of the Aged and Aging to the Subcommittee on Labor and Public Welfare of the United States Senate, 86th Cong., 2nd Sess., pt. 5, 2873 (1960).

to have room for an aged relative than are city families.[2]

Generally the accepted age limit for retirement is sixty-five and from the point of general manpower policy this will continue with somewhat of a downward trend towards earlier retirement at ages sixty-two and sixty. A recent study of retirement plans by the United States Department of Labor, Bureau of Labor Statistics noted that more than two-thirds of the active workers participating in private pension plans were in plans that provided for normal retirement at age sixty-five.[3] About twenty five percent were in plans that provided for normal retirement before age sixty-five and another six percent in plans that had no age requirement. But not all workers want to or have to retire (because of poor health, etc.) at age sixty-five. Many desire to continue working and when asked why they wanted to remian at work the principle reason given was the need for income; and in Massachusetts it has been found that it is more difficult for an aged worker to find employment than in many other states. The effect of this upon the retiree is that he is left in an economically embarassing position and his condition is deteriorating because of a widening income gap between himself and the general labor force.

As noted supra there then are some seven out of every ten families with an aged head whose income is less than $4,000. Of this money they are allocating from 21% to 31% of it for shelter. These figures come from a 1969 study concluded by the United States Department of Labor, Bureau of Labor Statistics. The Bureau compiled the average costs of goods and services for persons in selected areas of the nation and then computed three budgets for retirees. The three budgets were classified as low, intermediate and high. Selected from this study are the figures for the Boston area and the non-metropolitan areas of the Northeast. Within the latter category are those areas with a population between 2500 and 50,000. The two budgets selected are the low and intermediate as they are representative of the income available to most of those who are retired and over sixty-five. In the commentary on the low budget the authors pointed out the absence of "few frills" and they admitted the budget is not as low as what is often termed "minimum subsistence".

The total budget allowance for one on the low budget is $2789.00 in the Boston area. The cost of home ownership was computed at $884; this included taxes, insurance on the house and contents, water, refuse disposal, heating fuel, gas, electricity, specified equipment, and home repair and maintenance costs. Calculating the cost of home

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2 Hearings Before the Subcommittee on Retirement Income of the Special Committee on Aging of the United States Senate, 87th Cong., 1st Sess., pt. 5, 420 (1961).

3 Private Pension Plans, 1960 to 1969 -- An Overview. United States Department of Labor, Bureau of Labor Statistics, Monthly Labor Review, July, 1970, 50.

ownership to the retiree under the low budget comes out to an expenditure of 31.7% of his budget for this shelter.

Under the intermediate budget for the Boston area the totals were $4248.00 total budget and $1065.00 for shelter for a 25.0% figure.

For the non-metropolitan areas of the Northeast, under the lower budget a family would spend 26.2% of its income for shelter and under the intermediate budget it would spend 21.8% for shelter.

Over the years the cost of home ownership has been steadily increasing as further Bureau of Labor Statistics have shown. In November of 1970 the index for home ownership had risen from 142.6 in September of 1969 to 157.8 for September of 1970. Property taxes in the same period have risen from 130.4 to 142.6. In view of the fact that the aged spend a larger percentage of their income on housing than is ordinarily the case this upward trend increasingly draws upon a fixed income which has little or no ability to make adjustments.

The importance of the home to the aged is illustrated by the figures which show how many of the aged do in fact own or live in a home owned by a member of the household. At the time of the 1960 census of housing, about 70% of the households headed by older people occupied homes owned by a member of the household. In a study on income maintenance of the aged it was found that 66% of all nonfarm families owned their homes early in 1959. Of those homes 83% were free of mortgage debt. More than two-thirds of the couples, nearly half the widows, and one-third of the other aged owned their own homes. Nearly four-fifths of the couples with money incomes of $5,000.00 or more, but fewer than two-thirds of those with income less than $1,200.00 owned their homes. But according to the figures mentioned seven out of ten families with an aged head have income of less than $4,000.00 and border on the poverty level and are in need of tax relief.

To help alleviate the problem, Massachusetts in 1963 passed an act providing for a property tax exemption for certain persons over 70 years of age. The act provided that real property to the amount of $4,000.00 of persons seventy years of age or over and occupied by him as his domicile; and who had been domiciled in the Commonwealth for the preceding 10 years and owned the property for the preceding five years either individually, jointly or as a tenant in common; and had a net income of less than $4,000.00 or if married a combined income of less than $5,000.00; and whose real property did not exceed in value $14,000.00; was exempt from the real property tax. The legislative intent was to provide tax relief for those aged persons facing financial hardship.

The act has since been amended by (1) extending the exemption to those who owned their present property for less than five years in the same town but who prior to this owned other real property within the town; (2) amended to allow one who has owned other real property within the Commonwealth for the preceding five years rather than in the same town; (3) amended by not including social security payments in income computations; (4) amended to allow real property to the amount of $4,000.00 or $350.00 of actual taxes due whichever allows the greater exemption and increased the maximum assessed value of real property from $14,000.00 to $20,000.00; (5) and amended to increase the income test from $4,000.00 to $6,000.00 for single taxpayers or $7,000.00 if married and added the test that the combined estate, real and personal, could not exceed $30,000.00 for an individual or $35,000.00 if married.

Of the states which provide a tax exemption specifically for the aged only Massachusetts and New Hampshire set the limit at age seventy. Eleven states provide an exemption for those aged sixty-five, one allows the exemption to begin at age sixty and two states provide for an exemption for women at age sixty whereas it is sixty-five for the male.

In view of the present trend towards early retirement, in part a result of the recent post World War Two population increases and increased longevity, local and state governments should not shift the burden over to the older homeowner by requiring him to continue paying taxes at a rate unchanged from that when he was fully employed. Massachusetts in Chapter 59, section 5, clause 41 has recognized the need of the elderly who are faced with financial hardship and unless it is willing to review a social policy that accepts forced retirement at age sixty-five then it should provide tax relief for those subject to that policy. It is true that the majority of states do not provide senior citizen relief of the nature herein mentioned but of those states which do the overwhelming majority commence the relief at the age normally associated with retirement.

STATE	STATUTE	AGE
Connecticut	Conn. Gen. Stat. Anno. §12 - 129(b)	65
Delaware	Del. Code Anno. §14 - 1942	65
Hawaii	Hawaii Rev. Laws 246 - 26	60
Idaho	Idaho Code Anno. 63 - 117	65
Indiana	Ind. Anno. Stat. 64 - 225	65
Maine	Me. Rev. Stat. Anno. Title 36 §658	65 - Male 62 - Female
Massachusetts	Mass. Gen. Laws Anno. Ch.59, §5, cl.41 & cl.17	70
Michigan	Mich. Stat. Anno. §7.7(4)	65
New Hampshire	N.H. Rev. Stat. Anno. Ch.72 - 39	70
New Jersey	N.J. Const. Art. 8 §1 para. 4	65
New York	N.Y. Gen. Laws Real Prop. Tax §467	65
Oregon	Ore. Rev. Stat. §307.350	65
Rhode Island	R.I. Gen. Laws Anno. §44 - 3 - 13	65
Vermont	Vt. Stat. Anno. Title 32 §3601	65
Washington	Wash. Rev. Code Anno. Title 84.36.128	65 - Male 62 - Female
Wisconsin	Wis. Stat. Anno. §71.09	65