

Beacon Hill Byline by Mary Rogeness

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### **Circuit Breaker for Senior Homeowners**

Now that we have become accustomed to writing 2001 every time we have to record the date, it's time to face one of the realities of that new year: filing last year's tax return. Massachusetts relies on income taxes more than most other states, so the tax burden we face is significant, but it is declining because of the following changes in the law.

The overall tax rate fell to 5.6% on January 1<sup>st</sup> as a result of the passage of Question Four on the November ballot. But what about retirees whose income does not come from wages? They may also receive a significant tax reduction, the Circuit Breaker. The Circuit Breaker is designed to provide property relief to low and moderate income senior Citizens through their income tax filing. Using the procedure is complex but the benefits can be substantial. Here is a summary of the new provisions.

You are eligible for the program, if you meet the following criteria:

- \* You own your home and are at least 65 years old.
- \* Your home is assessed at less than \$400,000.
- \* Your income cannot exceed \$40,000 if you file taxes as a single filer; if you file as Head of Household, your income cannot exceed \$60,000; and if you file a joint return, the limit is \$60,000.

The complexities of the program face you after you determine your eligibility for the program. An individual's tax credit is computed through this formula. Add your property taxes to half of your water and sewer bills. You qualify for a tax credit to the extent that the resulting sum exceeds 10% of your income. But the maximum credit is \$375 in the 2001 tax year. In 2002 it will be \$750.

The process is easier to understand with this hypothetical example. A widow homeowner with an income of \$28,000 may qualify for benefits, since her home is valued at \$150,600. Her property taxes in Longmeadow are \$2940, and let's assume her water and sewer cost is \$180 per year. The sum of property tax and half of the water bill is \$3030. Ten percent of her income is \$2800, and her qualifying expenses exceed that amount by \$230. In April of 2002 when our taxpayer files a state income tax return for 2001 she should qualify for that credit.

The law excludes anyone who is a dependent of another taxpayer or receives a federal or state rental subsidy. The credit is available to senior renters under a different formula. Some lower income seniors may not currently file a state income tax return because their income is insufficient to require filing a return. Seniors who have no income tax liability may still file for the sole purpose of receiving a credit. Another important provision of the law allows for the indexing of the income limits, property valuation, and credit amounts to help ensure inflation does not erode the benefit over time.

The new law will not be available to help you for another year, but you should be aware of it and the benefits it holds if you are a senior citizen on a fixed income. If you need more information about its provisions, please call me at 567-1661 or send an e-mail to [Mary@Rogeness.com](mailto:Mary@Rogeness.com).