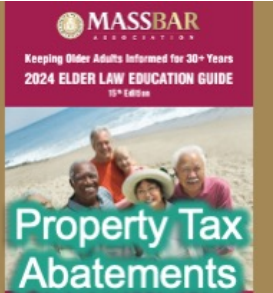


TAX ABATEMENTS



1. Each property tax exemption, deferral and credit has eligibility requirements that may include age, asset or income limitations. The applicant must be a resident of Massachusetts. Most exemptions require that the resident occupy their home for a minimum number of years (usually five or 10 years). An applicant may either own their home individually, or co-own the home with another person. Even a trust beneficiary can obtain the exemption if the beneficiary has a sufficient beneficial interest in the house held in trust, and the beneficiary is a trustee. Each exemption should be read carefully to determine its specific eligibility requirements.
2. Homeowners must file an application for an exemption or deferral at their local Board of Assessors' Office on or before April 1 of the year to which the tax relates, or three months after the tax bill is mailed, whichever is later. Applicants must pay their property taxes while their application is pending.
3. Approved applications will result in a reduced real estate tax bill to the taxpayer/applicant. Since an individual typically can qualify for only one exemption each year, it is important to review all exemptions annually in order to select the exemption that will result in the greatest tax reduction. If one is still having trouble paying their property taxes, they may receive additional relief through a hardship exemption, the Elderly and Disabled Taxation Fund, the Senior Work-Off Program or the Senior Circuit Breaker Tax Credit.

EXAMPLE 1

Mary lives in a two-family home. Mary occupies the first floor, and her son occupies the second floor. If she otherwise qualifies for a tax exemption of \$1,000, her tax reduction would be \$500 because Mary occupies 50% of the property.

B. EXEMPTIONS

Exemption discharges a taxpayer from the legal obligation to pay all or part of the tax, and examples can be found in the various clauses of Mass. G.L. ch. 59, § 5. Since an individual can only apply for one exemption, and the exemptions vary from town to town, applicants should contact their local tax authorities for particular details on programs.

1. Elderly Persons

The standard Elderly Persons exemption provides \$500 (or \$1,000 in some communities) for homeowners who are at least 70 years of age or 65 years of age in some communities. The applicant must have occupied the property as their primary residence for at least five years, and the applicant must have lived in Massachusetts for 10 years preceding the application. The Elderly Persons exemption is only granted to one person for the same parcel of property. If two older individuals own the property jointly, the exemption amount will only benefit one owner.

An applicant must also meet income and asset limitations to be eligible for this exemption. The standard exemption is available to single applicants who earn less than \$13,000 per year and have assets less than \$28,000. A married applicant cannot earn more than \$15,000 per year and cannot own assets that exceed \$30,000. The income limitations do not include Social Security benefits, and the asset limitations do not include the value of the home. As with other exemptions, the value of the applicant's cemetery plots, registered vehicles, clothing and household furniture is also excluded when calculating the applicant's assets.

Cities and towns may adopt more liberal restrictions, and therefore, older adults should contact their local assessor to see if they qualify under the town's Elderly Persons exemption.

Applicants who do not qualify for this exemption because they exceed the income restriction should apply for the Older Citizens exemption, as there is no income restriction for that particular exemption.

2. Veterans

The Veterans exemption is available to certain veterans, as well as their spouses, surviving spouses and/or surviving parents. Although the residency requirement may vary from town to town, applicants seeking this exemption must have been a Massachusetts resident for at least six months prior to entering the service, or the veteran must have lived in Massachusetts for at least two years prior to filing for this exemption.

Disabled veterans, honored veterans, and their spouses or parents are eligible for one of several real estate tax exemptions. Exemption amounts vary depending on the severity of the veteran's disability or their medal awarded. A list of available veteran exemptions relating to real estate includes:

- \$400 to veterans who received at least a 10% disability rating from wartime service, veterans who have been awarded the Purple Heart, and mothers and fathers of veterans who have been awarded the Gold Star;
- \$750 to veterans who suffered the loss of one foot, one hand or one eye; veterans who received the Congressional Medal of Honor, Navy Cross or Air Force Cross; and their spouses or surviving spouses;
- \$1,000 to veterans who suffered total disability in the line of duty and are incapable of working, and their spouses or surviving spouses;
- \$1,250 to veterans who suffered in the line of duty the loss of use of both feet, both hands or both eyes, and their spouses or surviving spouses;
- \$1,500 to veterans who suffered total disability in the line of duty and to veterans who received assistance in acquiring "specially adapted housing," as well as their spouses or surviving spouses;
- A full exemption is available to surviving spouses of soldiers, sailors and guardsmen whose proximate cause of death was an injury or illness suffered during active duty or who are missing in action and presumed dead;
- A full exemption is available to surviving parents or guardians of soldiers, sailors and guardsmen whose proximate cause of death was an injury or illness suffered during active duty or who are missing in action and presumed dead, subject to approval by the legislative body of the municipality; and
- A full exemption is available to paraplegic veterans and veterans who are 100% disabled due to service-connected blindness and their surviving spouses.

There are no income or asset restrictions for the qualified Veterans exemption, but the applicant must occupy the property as their primary residence. Applicants who co-own the property must have an ownership interest in the property valued at \$2,000 to \$10,000, depending on the exemption. If the property is greater than a single-family home, the exemption amount is calculated and is prorated based on the value of the property that is occupied by the applicant.

A motor vehicle of a disabled veteran operated for personal use is exempt from automobile excise taxes. In addition, a motor vehicle of a veteran or their surviving spouse is exempt from automobile excise taxes if the veteran was a prisoner of war and the city or town allows this exemption provision.

3. Blind

The property tax exemption for the blind is either \$437.50 or \$500, depending on the city or town's discretion. An individual applying for this exemption will need to provide proof that they are legally blind. Most assessors will accept a certificate showing that the applicant is registered as legally blind with the Massachusetts Commission for the Blind or a letter from the applicant's physician stating that the applicant is

legally blind.

While there are no income or asset restrictions, the blind applicant must own and occupy the property as their primary residence. Applicants who co-own the property must have an ownership interest worth at least \$5,000 in order to satisfy the requirement of this exemption. There is no apportionment of this exemption if the blind person co-owns the property (owns as a joint tenant or tenant in common, for example). A co-owning blind person will receive the entire exemption.

EXAMPLE 2

Sally and her sister are both legally blind, registered with the Massachusetts Commission for the Blind, and are joint owners of the property. Even though both women qualify for the exemption, the first person to apply for the exemption will receive the abatement because only one exemption is granted on the same parcel of land.

4. Older Citizens, Surviving Spouses and Minors

This exemption provides relief to three categories of persons: 1) widows and widowers; 2) minor children with one parent deceased; and 3) persons 70 years of age and older. The state statute compels cities and towns to provide a \$175 property tax exemption to applicants meeting the eligibility requirements. Some cities and towns, however, have voluntarily adopted a higher exemption amount.

There are no income limitations for these exemptions. As a result, this exemption is a good alternative for older adults who do not qualify under the Elderly Persons exemption. A surviving spouse or a minor with a deceased parent does not have to own and occupy the property for any period of time to receive this exemption. On the other hand, an older adult applying for this exemption must have owned and occupied the property as their primary residence for at least five or 10 years, depending on the town's discretion.

The dollar amounts in the original eligibility requirements under this exemption established by the commonwealth have become somewhat outdated with increasing property values. The commonwealth, therefore, now gives cities and towns the option of electing from several alternatives that vary in asset limitations and residency requirements. For example, under the original standard exemption, an individual cannot exceed \$20,000 in total assets, excluding any unpaid mortgage on the property.

Conversely, under the most flexible alternative, an individual cannot own more than \$20,000 under clause 17, or \$40,000 under the other clauses, excluding the total value of the subject property.

EXAMPLE 3

Ethel is 70 years old and has lived in her home for the past seven years. Ethel has \$30,000 in the bank and a home valued at \$200,000 with an outstanding mortgage of \$170,000. Ethel would not qualify for this exemption if she lives in a town that adopted the standard exemption because she exceeds the asset limitation (\$30,000 cash + \$30,000 in equity) and she does not meet the residency requirement of 10 years. Ethel does, however, qualify for the exemption if she lives in a town that adopted the least restrictive alternative because she does not exceed the asset limitation and she does meet the residency requirement of five years.

Practice note: Check with the local assessor to determine which clause the city or town has adopted. Also check if the exemption amount is \$175 or if the city or town adopted a higher exemption amount. An applicant's personal belongings, household furniture, car and prepaid funeral expenses are not counted in determining the applicant's maximum total asset value amount.

EXAMPLE 4

George is 70 years old and has lived in his home for the past 10 years. In addition to \$13,000 in the bank, George owns a car worth \$15,000 and has household furniture valued at \$20,000. George also prepaid his funeral expenses. George would qualify for all clause 17 exemptions and would receive a reduction of taxes on his home of \$175.

5. Hardship

Individuals who do not qualify for any of the above exemptions may apply for a hardship exemption. A hardship exemption can be obtained by individuals who also received one of the above exemptions. This exemption grants relief to a homeowner in their tax bill due to medical hardship, financial hardship, or extenuating circumstances and expenses.

There are no express restrictions, and eligibility is determined on a case-by-case basis. This exemption is typically available to individuals who are unable to fulfill their tax obligation because of age, infirmity, poverty or financial hardship resulting from a change to active military status.

C. DEFERRING TAXES

1. The Elderly Tax Deferral, available under Mass. G.L. ch. 59, § 5,(41)(A), allows an older homeowner to defer payment on their property taxes. In contrast to tax exemptions, deferred taxes must eventually be paid. Under the deferral, all or part of the property taxes due on the property are deferred until the deferred tax amount reaches 50% of the then-assessed property value. A single older homeowner must be at least 65 years old to be eligible for the deferral. An older adult may own the property jointly or as a tenant in common. For older adults owning property jointly with a spouse, at least one spouse must be 65 years or older.
 - i. A qualified applicant must enter into a written tax deferral and recovery agreement with the city or town. This agreement is recorded at the Registry of Deeds. During the deferral period, the deferred tax amount incurs a maximum 8% interest annually, although the statute permits cities and towns to elect a lower interest rate. Some towns have elected an interest rate of zero. Deferred taxes must be repaid within six months after the death of the older homeowner or sale of the property. If the property is sold or the older homeowner is deceased and the taxes are not repaid, the tax deferral becomes a lien on the property.
 - ii. The applicant must have owned and occupied any real property in Massachusetts (including the current property) for five years and must have been a resident of Massachusetts for the previous 10 years. While there are no asset limitations, the older adult's income may not exceed \$20,000 per year. Cities and towns may adopt higher income limitations. The deferral can be used in conjunction with one of the available real estate tax exemptions, as long as the applicants meet eligibility requirements for both.

EXAMPLE 5

Frankie has a yearly real estate tax bill of \$1,200 on his home. He is 73 years old and receives a \$500 reduction in his real estate tax under the Elderly Persons exemption. Frankie's remaining tax amount due of \$700 can be deferred.

D. OTHER TAX EXEMPTIONS AND CREDITS FOR OLDER ADULTS

1. Elderly and Disabled Tax Fund (Mass. G.L. ch. 60, §3D)

Pursuant to Mass. G.L. ch. 60, § 3D, the commonwealth authorized cities and towns to create an Elderly and Disabled Taxation Fund "... for the purpose of defraying the real estate taxes of elderly and disabled persons of low income."

Each city or town may adopt the program. If adopted, the community will establish a five-person Taxation Aid Committee, which identifies the recipients of the aid and determines how much of their tax bills will be defrayed. The community's taxpayers may donate any amount to the fund through their tax bills. Donated funds are deposited into a special account until administered by the committee.

An individual meeting the eligibility criteria must submit an application to the Taxation Aid Committee.

The applicant must be elderly or disabled in accordance with their community's eligibility guidelines. Since the statute does not provide specific standards to define elderly or disabled, the committee has some flexibility in administering the funds.

Whether elderly or disabled, the applicant must have some degree of financial hardship, and must disclose their financial information on the application. Certain communities consider other factors, such as marital status, employment status, work qualifications, public assistance received by the applicant or the value of the applicant's home. Each community may establish its own unique standards to better meet its local needs.

Communities will frequently award aid to all qualified applicants because few residents apply for aid. This high acceptance rate is ordinarily due to a lack of knowledge of the program. Because an individual's entire property tax burden can be covered by the tax fund, it is essential for potential applicants who meet the minimum qualifications to be made aware of the program and submit an application.

2. **Senior Work-Off Abatement (Mass. G.L. ch. 59, § 5K)**

The Senior Work-Off Abatement program enables tax-paying older adults to volunteer their services to the community in exchange for a reduction in their property tax bill.

An eligible older adult may save up to \$2,000 on their taxes, depending on the community's election. The older adult will work at an hourly rate that may not exceed the state minimum wage; in exchange for such work, the city or town will issue a voucher to the older adult that will be applied against their property tax bill. By applying these vouchers, the older adults are not earning income, and therefore, the voucher is tax-free.

The state statute provides that the taxpayer must be more than 60 years of age and own property within the community. The applicant may be a trustee if the property is owned by a trust. More than one qualifying owner may earn the abatement on the same property, unless local provisions express otherwise. Older adults may earn the work-off abatement on top of any other exemptions and credits that may be available under any other statutes. Older adults may work in schools, libraries, senior centers, or other public departments and offices in the community.

Not every applicant is guaranteed work through the program. Generally, older adults must demonstrate a financial hardship in order to receive jobs with the community, and the hours an older adult may work are limited since they can only earn up to \$2,000 per year. In most towns, there is no automatic reenrollment, and as a result, interested workers need to apply each year.

The program has been well received in the communities that have adopted the senior work-off, because it: (a) decreases property taxes for the working older adult; (b) increases the involvement of older adults in local government; and (c) gives communities a skilled pool of potential older employees.

3. **Senior Circuit Breaker Tax Credit (Mass. G.L. ch. 62, § 6(k))**

The Senior Circuit Breaker Tax Credit differs from the other exemptions and deferrals discussed earlier because this program credits the older adult's state income tax as opposed to their property tax. The circuit breaker credit allows property owners or renters 65 years of age or older to claim a credit of up to \$2,590 (for 2023) for rent or real estate taxes paid on their principal residence to the extent the taxes exceed 10% of their total income. The state pays the credit as opposed to the local cities and towns.

Older homeowners who paid more than 10% of their income for real estate taxes and water and sewer charges are eligible for the credit. Older renters can count 25% of their rent as real estate taxes, so long as the rent exceeds 10% of the renter's total income for the tax year. In order to receive the credit, an older adult must file a state income tax return, even if they are not otherwise required to do so. The taxpayer will receive a refund if the credit due exceeds the amount of the income tax paid that year.

To be eligible for the credit for 2023, single older adults cannot earn more than \$69,000. For heads of household, and married couples filing a joint return, the annual 2023 income limitations are \$86,000

and \$103,000, respectively. In all cases, the value of the home after abatements cannot exceed \$1,025,000 for 2023. In order for a renter to receive the credit, they cannot be receiving a rent subsidy, and they cannot pay rent to a landlord who is not required to pay real estate taxes. A taxpayer may add 50% of their water and sewer bill to their property tax assessment when calculating the credit, so long as the water and sewer bill is not already included in the municipal property tax bill. For example, delinquent water and sewer bills are generally added to the property tax, whereas the provisions of the circuit breaker credit only apply to current water and sewer bills.

Any property tax reductions or exemptions, such as the ones described in this guide, earned or received by the taxpayer must be taken into account before determining the total real estate tax paid.

EXAMPLE 5

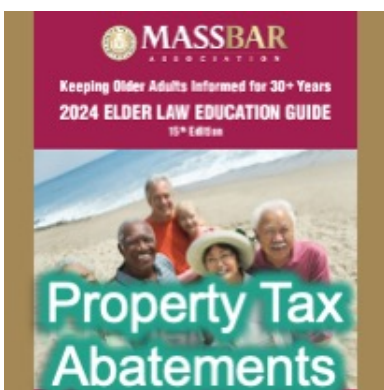
Nancy is 81 years old and lives alone. Nancy's home is valued at \$350,000, and she earned \$20,000 in 2023. She had an unadjusted real estate tax bill of \$5,000 and a \$500 water and sewer bill. She can therefore add \$250 (50% of \$500) to her tax bill in calculating the circuit breaker credit, bringing it up to \$5,250. Nancy also received the Elderly Persons exemption of \$175 and earned \$500 through the Senior Work-Off Abatement. Nancy's adjusted property tax is \$4,575 (\$5,250 - \$175 - \$500). Ten percent of Nancy's income is \$2,000. Because Nancy's adjusted real estate tax exceeds 10% of her total income by at least \$2,590, Nancy is eligible for the full \$2,590 income tax credit for 2023.

E. ADDITIONAL RESOURCES AND CONCLUSION

Additional information and applications for exemptions can be obtained at the assessors' office in each city or town. Several assessors' offices have websites that provide local exemption information, downloadable applications and links to other websites. The following are additional resources that may be useful:

- Commonwealth of Massachusetts Citizen Information Service
www.sec.state.ma.us/cis, (617) 727-7030
- Department of Revenue, Division of Local Services, Property Tax Bureau
51 Sleeper St., Boston, MA 02210
(617) 626-2300

This chapter should provide you with information needed to determine whether you may be eligible for a real estate tax exemption or deferral. Because several cities and towns have adopted alternatives for many exemptions, you should contact your local assessors' office for specific eligibility requirements and exemption amounts.



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