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PROPERTY TAX REDUCTION AND RELIEF PROGRAMS

by Stanley Chervin

INTRODUCTION

The property tax is often cited as the most unpopular of taxes. Property owners have become more and more vocal in their opposition to property tax increases. This is particularly the case in Tennessee where the property tax plays a pivotal role in raising local revenue. As property values and, thus, property taxes have risen nationwide, governments have sought means to reduce the potential damage of increased tax assessments on those least able to pay. More and more, local and state governments have turned to property tax reduction or property tax relief programs. Indeed, Tennessee voters approved a referendum authorizing a new property tax reduction program for low-income seniors just this past November.

The purposes of this report are to identify and describe the various types of property tax reduction and relief programs in use in the United States, discuss the pros and cons of the various types of programs, and summarize the types of programs in use in each state. Tax relief programs, whatever their format, are as varied as state flags, state birds, and state license plates. They include programs that provide assistance to property owners through exemptions, credits, circuit breaker programs, or property tax deferral. This report provides general information on property tax relief programs, but focuses primarily on circuit breaker programs and their targeted rebates or credits. General property tax reduction programs consist of various programs designed to limit general property tax growth through statutory limitations or caps on property assessments, property tax rates, or property taxes themselves, as well as limitations or requirements imposed on property tax administration that impact overall property tax growth.

PROPERTY TAX RELIEF

State and local governments utilize various methods to provide property tax relief to both households and businesses:

- Circuit breaker programs that provide targeted rebates or credits to certain homeowners and renters
- Homestead exemptions or credits
- Property tax deferral programs, generally available only to elderly homeowners

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Many of the relief programs for households are targeted to seniors, while relief to business is often used as an incentive to attract new businesses or expanded business activity. The most familiar tax relief programs for households include exemptions[1] that reduce the amount of a property's value or assessment subject to tax and property tax circuit breaker programs. The most common type of exemption is the homestead exemption.

While the initial beneficiaries of both exemption and circuit breaker programs are property owners, local governments dependent on property tax revenue also benefit when the relief programs are financed by their respective state governments. In these cases, local governments are held partially or fully harmless from revenue losses, and those who are most overburdened by the property tax, often (but not only) low-income senior citizens, are less likely to oppose further increases in property taxes. With a growing local government dependence on property taxes in Tennessee, relative to sales taxes, property tax relief will become a growing hot button issue in the state.[2]

This report includes detailed data on the cost of circuit breaker relief programs in use in the Unites States. This focus on circuit breaker programs is deliberate and reflects the unique ability of such programs to identify households overburdened by property taxes , with burden often measured by the ratio of taxes to income, and provide relief only to such groups. The property tax relief provided generally phases out as household income reaches some predetermined cutoff level. Such targeting is useful in limiting the overall cost of a property tax relief program and avoids excessive erosion of the primary tax base used by most local governments. Most circuit breaker programs are financed by state governments in recognition that property tax relief is appropriate to certain taxpayers, regardless of where they reside, and many local governments cannot afford to finance such programs themselves.

PROPERTY TAX CIRCUIT BREAKERS

Most Tennesseans would recognize the term "circuit breaker" as a residential electric safety device that senses excessive electric current and automatically trips itself, cutting off the circuit through which the electric current is flowing. This automatic mechanism helps avoid possible electrical injury or fire. The term is aptly applied to a class of property tax relief programs used in thirty-three states and the District of Columbia.

Property tax circuit breakers are designed to provide automatic tax relief through either direct tax reductions or rebates to households when property taxes reach a certain critical level. The critical level is generally related to household income.[3] The programs are generally designed to phase out or end as household income rises. The programs are generally limited to only certain classes of homeowners (low-income households, seniors, disabled citizens, and veterans), and in some states renters are also eligible. Income ceilings and phase-out rules are used to contain the overall cost of these programs. The relief is granted in a variety of ways: direct rebates to households, state payments to local property tax authorities to offset the circuit breaker relief, and tax credits against state income taxes. The property tax relief program in Tennessee is not generally categorized as a circuit breaker

[1] Or an equivalent credit.
[2] See Green and Chervin (2006).

[3] The definition of household income for purposes of state circuit breakers varies from state to state.

program since tax relief does not vary by any sliding income scale.[4]

Common characteristics of circuit breaker programs include:

- the use of a tax rebate or reduction (or credit) dependent in various ways on household income,
- generally, the phasing out of rebates or reductions as household income rises, and in some cases
- the inclusion of tax credits or rebates for renters as well as homeowners.

OTHER STATES

Circuit breaker programs in the United States vary significantly from state to state. Common elements of circuit breaker programs include:

1. Property taxes are limited to a maximum percent of household income, regardless of the value of the home. If policymakers decided that property taxes should not exceed 3% of a household's total income, then a household with income of $40,000 would face a maximum property tax liability of $1,200. If actual property taxes exceeded $1,200, this circuit breaker program would pay the property owners the difference between total taxes due on the property and $1,200.
2. Most programs place additional constraints on the amount of tax relief granted. This is done by phasing out the credit or refund as household income rises, or by capping the value of property eligible for the program.

Pros and Cons of Circuit Breaker Programs

Pros:

1. Burden is measured in relation to income, not property value.
2. Program does not reduce all assessments available to local authorities to tax.
3. In most cases, the state government picks up cost of program, leaving local revenues harmless.
4. Poor districts (those with lower average household incomes) are less impacted by rising property taxes, since more of district's residents are partially protected from property tax overburden by a circuit breaker program.

Cons:

1. Generally provides no relief to the majority of taxpayers, thereby losing its general appeal and public support.
2. Problematic if not funded by state government.

[4] Categorizing tax relief programs is not an exact science, but "circuit breaker" programs generally phase out the aid as income levels rise. States are also free to call their tax relief programs whatever they want, as evidenced by Indiana where lawmakers "enacted a property tax cap law which limits the tax on a residential property to 2% of its assessed value. The cap, is oddly called a 'circuit breaker' although it has virtually nothing in common with the property tax circuit breakers used in most other states,…". *Citizens for Tax Justice Digest,* July 14, 2006.

3. Homestead exemptions that increase as income increases (up to some maximum) are also classified in the circuit breaker category.

Tables 1A, 1B, and 1C in Appendix A provide detailed information on state circuit breaker programs by state. Table 1A provides details on basic eligibility coverage, household income limitations, maximum benefit, and Table 1B contains notes (for some programs) under each state's program. Table 1C reflects data obtained from a lengthy survey of circuit breaker states. The data obtained consists of estimates of the total amount of property tax relief granted under each state's program (or programs) and, in some cases, the total number of program beneficiaries. This data, along with population data for each state, is used to estimate the average benefit received per eligible household and the average per capita cost of the program in each state.[5]

Table 1C shows wide variation in the total cost of circuit breaker programs, average benefit per eligible household, and average per capita program cost. Total program cost varied from only $134,000 in Wyoming to a high of $1,079,000 in New Jersey.[6] While much of the variation in overall program cost is explained by population size, other factors contributing to the variation include eligibility rules, income limitations, and maximum authorized benefits.

Average beneficiary tax relief varied from a low of $105 in New York to a high of $1,151 in New Jersey.[7] The average benefit (based on states for which a figure could be calculated) was $460. Benefits generally are higher as a result of some combination of the breadth of the program (program covers both those over and under 65), high maximum eligible income constraints, and high maximum benefit amounts.

Average per capita program costs, not surprisingly, also vary significantly from state to state. Per capita costs were lowest in Wyoming at $0.26 and highest in Michigan at $73.95. Low per capita costs were generally associated with some combination of low maximum income constraints, low benefits, or an absence of benefits for renters.

EXAMPLES OF CIRCUIT BREAKER PROGRAMS IN NEIGHBORING STATES

With the exception of Missouri, none of the other states bordering Tennessee has a property tax circuit breaker program. In fact, with the exception of Delaware and Alaska, the balance of the 15 states that do not offer a circuit breaker program are in the South, extending from Virginia diagonally across the South all the way to Texas. So specific examples of circuit breakers must include states somewhat removed from Tennessee.

Illinois provides benefits for homeowners and renters age 65 or older, or disabled, and whose income is $21,218 or less (1 person household), $28,480 or less (2 person household), or $35,740 or less (3 or more person household). While the income limits may appear high, the maximum tax relief falls to only $70 if income exceeds $14,000. The

[5] Excludes administrative costs.

[6] New Jersey has two separate circuit breaker programs, one for those 65 and over, and one for those under 65. The cost of these programs for homeowners was $958.9 million; for renters $119.7 million.

[7] The survey contact in New Jersey noted that not only do they offer relatively generous circuit breaker programs to both those over and under 65, but the reason for the generous programs is New Jersey's relatively high property taxes. New Jersey property taxes generally rank among the five highest in the country.

maximum benefit is $700. The actual tax relief is a function of both the applicant's income and the amount of property taxes actually paid. The measure of income includes all social security and SSI benefits, pensions and annuities, veterans' benefits, public assistance benefits, as well as all other income, taxable or not, included on IRS Form 1040. As such, it is similar to the broad measure of income used in determining eligibility for the senior exemption under the Tennessee Hall Income Tax.[8]

Maryland provides benefits for homeowners (all ages) and certain renters (age 60 or older, or totally disabled, or under 60 with at least one dependent under the age of 18). Maximum benefit for homeowners is $750, $600 for renters. The income threshold for homeowners is $60,000. The program also includes a net worth threshold of $200,000 that excludes the value of the homestead and the cash value of IRAs or other qualified retirement plans. Property tax payments eligible for a credit include only those due on the first $300,000 of assessed value. Household income is broadly defined to include all income from all sources, taxable or not. The program only applies to the Maryland State property tax. Certain counties in Maryland offer their own supplementary tax credit programs (and these are also administered by the State). The actual credit (per a formula) is a declining function of income and the property taxes actually paid.

PROPERTY TAX HOMESTEAD EXEMPTIONS OR CREDITS

Homestead exemptions or credits provide most or all property owners in a state a reduction in either the market value of the property subject to tax, a reduction in the assessed value of a property subject to tax, or an equivalent tax credit. States may reimburse local governments in part or whole for the lost property tax revenue from such programs, or in some cases provide no reimbursements. Homestead exemptions provide no benefits to renters. As is the case in Tennessee, income may play a role in establishing eligibility for a homestead exemption program, but once eligible, benefits are not affected by one's level of income. In many cases, the exemption (or credit) is only available to full-time in-state residents. Forty states and the District of Columbia offer homestead exemptions while fourteen offer an equivalent homestead credit. Some offer both. See Appendix B for identification of states with exemption or equivalent credit programs.

The existing Tennessee state property tax relief program is categorized as a homestead exemption or credit program. The program provides a tax credit equal to the property taxes due on the first $25,000 of market value ($6,250 of assessed value) for certain elderly or disabled homeowners, and a credit or reimbursement equal to taxes due on the first $175,000 of market value ($43,750 of assessed value) for certain disabled veteran homeowners.[9] Since the tax benefit provided by this program depends on the local tax rate, the tax benefit provided by this program varies by location. The state program paid out $9.8 million during fiscal 2006.

Elderly and disabled homeowners are eligible for the credit if their age is 65 or over and the income of all owners of the property from all sources is $20,000 or less. Disabled veterans are eligible for the program regardless of their

[8] TCA § 67-2-104 provides an exemption to certain seniors if their income "from any and all sources of income" is equal or less than $27,000 (joint return) or $16,200 (single return).

[9] These values apply for 2006. The Legislature traditionally raises these limits over time.

Pros and Cons of Homestead Exemptions

Pros

Homestead exemptions can be politically popular when made available to all residential property owners; however, homestead exemption programs that are not conditioned on household income can be very costly in terms of lost revenue. The intent of most property tax relief programs "should be" to identify those households that are overburdened by property taxes relative to their taxpaying ability (their income level) and provide targeted aid only to such households.

Cons

Homestead exemption programs that include a yes/no income eligibility limitation can reduce the cost of an exemption program, but result in somewhat nonsensical cutoffs for many who are in need of relief. The existing Tennessee homestead credit program provides no relief for a household with income of $20,001, while providing the full credit to those with an income of $20,000 or less. Such a "cliff" effect on benefits is not justified. The Tennessee exemption also fails to distinguish between a household with income of $20,000 and a household with an income of $10,000. This form of tax relief is not sensitive to income differences.

age. The program made payments on almost 70,000 claims during 2006, representing approximately 3% of all Tennessee households.[10] The average amount paid to elderly and disabled homeowners (total of 66,457 claims) was $121; the average amount paid to disabled veterans or their widows(ers) was $637. The total program provided a per capita average benefit of only $1.64.[11]

EXAMPLES OF HOMESTEAD EXEMPTION OR CREDIT PROGRAMS IN NEIGHBORING STATES

Mississippi

Mississippi offers two types of homestead exemptions. Homeowners age 65 or over or disabled (100%) are provided an assessment exemption of $7,500. Since the standard assessment rate in Mississippi is only 10%, the $7,500 assessment exemption is the equivalent of a $75,000 full value exemption (no tax due on the first $75,000 of a property's market value). Mississippi also offers a tax credit of up to $300 to other homeowners under 65. The credit increases up to $300 on an assessment of $7,351.

Florida

Florida provides all full-time resident homeowners a homestead exemption of $25,000. This is available without regard to income. Since the assessment level in Florida is 100% (versus only 25% in Tennessee), the value of this exemption is significant.[12] Such an exemption tends to provide relatively more tax relief to those living in lower valued homes, since the relative tax relief resulting from a flat

[10] Based on an estimated 2,336,130 households in Tennessee (U S Census, American FactFinder, estimates for 2005).
[11] Using an estimated July 1, 2005 population figure for Tennessee of 5,962,959.
[12] Based on data from DC Tax Burden Study (2005 Edition), the average property tax relief from the $25,000 exemption for a household with income of $50,000 in Jacksonville Florida would be $465.

exemption falls as the value of the property rises. In this sense, the tax relief can be described as progressive; however, such a program, in granting tax relief to all property owners, also comes with a large price tag.

The estimated cost of the program in Florida for fiscal 2006-07 is $2.2 billion, an average per capita benefit of $123.67; however, the actual tax relief provided by this exemption is difficult to pinpoint when one considers the fact that overall property tax rates are likely higher in Florida than would be the case in the absence of the homestead exemption. This makes estimating the true cost of such programs problematic. Ultimately there is "no such thing as a free lunch."

PROPERTY TAX DEFERRAL

Deferral programs authorize a freeze on the taxes due on a portion or whole value of a homestead property. Such programs are generally authorized by local governments and restricted to low-income seniors. The foregone property tax revenue is generally not reimbursed by the state.

Tennessee is one of twenty-four states (and DC) that offers a property tax deferral program (see Appendix C for states with deferral programs). Tennessee's program is authorized by TCA § 7-64-101 et seq. and allows local governments, at their own discretion (by resolution) and expense, to allow a deferral of all property taxes for certain low-income homeowners (income under $25,000): single, age 65 or older; married with both age 65 or over; any person totally and permanently disabled. Until recently, only Davidson County was authorized to offer this deferral program.[13]

[13] P.C. 739 extended the program to all local governments.

The current law limits the deferral program to households with combined gross income, as defined by the Internal Revenue Code, of $25,000 or less. In practice, the actual figure used by Davidson County officials is total income as reported on Form 1040.[14] This definition differs from the income concept used in administering exemptions for the Hall Income Tax.[15] While unlikely, in certain cases, very wealthy households could request and be eligible for a property tax deferral based on total income.[16]

GENERAL PROPERTY TAX REDUCTION

This grouping includes caps, freezes, or limits on property tax rates, assessments, or property taxes, and property tax administration controls or restrictions designed to keep overall property tax liabilities from growing at an excessive pace. This general category also includes programs designed to focus public attention on property tax rate changes, especially following property reappraisals. This subgroup of programs would include Tennessee's "truth in taxation or full disclosure statutes."[17] Appendix D provides a summary of the various types of property tax reduction programs in use among the states.

The most well-known example of such programs is Proposition 13, passed in California in 1978. Proposition 13 established an acquisition value assessment system (versus

[14] There is no "gross income" figure on federal form 1040.
[15] The definition of income used in administering the Hall Income Tax is much broader and includes many forms of income that are excluded from the IRS Form 1040 calculation of total income.
[16] For example, total income excludes tax-exempt interest.
[17] TCA § 67-5-1701 et seq. See Cornia and Walter (2006) for a full discussion of the 'full disclosure' topic and its possible impact on property taxes and tax rates.

Pros and Cons of General Property Tax Reduction

Pros

General property tax reduction is very popular as evidenced by the large number of states utilizing one or more of these types of programs. These programs are extremely popular among the electorate and growing in number.

Cons

As with broadly available homestead exemptions, property tax reduction programs, whether taking the form of assessment caps, assessment or tax rate freezes, or other variations, all fail to target or limit the aid to those actually in need of assistance. These programs tend to restrict the ability of local governments to fund the growing service responsibilities they continue to face.

a market-based assessment system as used in Tennessee) and forced assessments back to 1975-76 assessment levels (base year), limited future annual assessment increases to the smaller of two percent or the rate of inflation, and limited effective tax rates to 1%.[18] Assessments are automatically increased to market value when properties are sold, creating dramatic differences in assessments and taxes for properties with the same market value.

Local governments in Tennessee are now authorized to freeze property taxes for certain low-income senior citizens. This form of local option property tax relief was recently authorized (November 7, 2006) when voters approved a referendum to amend the state constitution. The change allows local governments to freeze property taxes for low-income seniors age 65 and over. The income (and/or wealth) threshold would be set by the General Assembly, but the program itself would be authorized and administered by local governments. Local governments would not be reimbursed for lost property tax revenues by the state. It is not clear how the existing state homestead program for the elderly, existing local property tax deferral programs for the elderly, and the newly-authorized local tax freeze program for the elderly would jointly work.[19]

[18] This essentially limited property taxes on any existing piece of property to 1% of the 1975-76 assessment level, adjusted up by a maximum of 2% a year.
[19] A copy of the referendum language (constitution Amendment #2) is included in the Appendix E.

APPENDIX A - CIRCUIT BREAKER PROGRAMS BY STATE

- Circuit breaker programs provide tax credits, rebates, or homestead exemptions or credits that decrease as income increases.
- Thirty-four (including DC) were identified as having circuit breaker programs.
- Twenty-four (of the thirty-four) provide some relief for both homeowners and renters.
- About two-thirds of states restrict circuit breaker programs to older or disabled households.[1]

TABLE 1A

State	Eligible Households	Maximum Eligible Income	Maximum Benefit	Available to Renters
Arizona	>=65	$3,750 (single) $5,500 (married)	$502	Y
California	>=62, blind, or disabled	$40,811	$473(homeowners), $348 (renters)	Y
Colorado	>=65, disabled, or surviving spouse	$11,000 (single) $14,700 (married)	$600	Y
Connecticut	>=65, disabled, or surviving spouse (>=50)	$27,700 (single) $33,900 (married)	$1,000 (single) $1,250 (married)	N
Connecticut	All ages	$145,000 (single) $190,500 (married)	$400 (2006 income tax credit)	N
DC	All ages	$20,000	$750 tax credit	Y
Hawaii	>=55	$20,000	$500	N
Idaho	>=65, veteran, disabled, P.O.W., blind, or surviving spouse	$28,000	$1,320	N
Illinois	>=65, or disabled	$21,218 (1 person household) $28,480 (2 person household) $35,740 (3 or more person household)	$700	Y
Iowa	>=65, or disabled	$18,347	$1,000	Y
Kansas	>=55, disabled, or with dependent children	$27,500	$600	Y
Maine	>=62, or disabled & >=55	$12,400 (single with no dependents) $15,300 (with spouse or dependents)	$400 (income tax credit)	Y
Maine	All ages	$74,500 (single with no dependents) $102,000 (with a spouse or dependents)	$2,000	Y
Maryland	All ages	Net worth <=$200,000 (excludes home) and $60,000 maximum income	$600 (renters); up to a portion of taxes paid on 1st $300,000 for homeowners	Y (see footnote)

[1] Some of the states have two different circuit breaker programs; one restricted to seniors and another with no age restrictions.

TABLE 1A (*CONTINUED*)

State	Eligible Households	Maximum Eligible Income	Maximum Benefit	Available to Renters
Massachusetts	>=65; see notes	$45,000 (single) $67,000 (married); homeowners residence <=$600,000 assessed value	$840 (income tax credit for homeowners); $1,500 (income tax deduction for renters)	Y
Michigan	All ages	$82,650	$1,200	Y
Minnesota	All ages	$87,780 (homeowners) $47,350 (renters)	$1,640 (homeowners), $1,350 (renters)	Y
Missouri	>=65, disabled, or >=60 & receiving surviving spousal SS benefits, certain veterans	$25,000 (single) $27,000 (married)	$750	Y
Montana	>=62	$45,000	$1,000	Y
Montana	All ages	$17,670 (single) $23,560 (married)		N
Nebraska	>=65, or disabled	>=65:$28,200 (single) $33,250 (married);disabled: $31,000 (single) $35,800 (married)	See Note	N
Nevada	>=62	$26,190 (see note)	$500	Y
New Hampshire	All ages	$20,000 (single) $40,000 (married)	Entire state education property tax (see note)	N
New Jersey	>=65, or disabled	$200,000 (homeowner), $100,000 (renter)	$1,200 (homeowner), $825 (renter)	Y
New Jersey	<65	$200,000 (homeowner), renters ($100,000)	$350 (homeowner), $75 (fixed amount for tenants)	Y
New Mexico	>=65	$16,000	$125 (single), $250 (married)	Y
New York	All ages	$18,000	$375 for persons >=65, $75 for others	Y
North Dakota	>=65, or disabled	$14,500	$3,038 reduction in taxable value (homeowner), $240 (renter)	Y
Ohio	>=65, or disabled	$26,200	$5,400 reduction in taxable/assessed value	N
Oklahoma	>=65, or disabled	$12,000	$200	N
Pennsylvania	>=65, or surviving spouses, or disabled	$15,000	$500	Y
Rhode Island	All ages (see notes)	$30,000	$300	Y
South Dakota	>=65, or disabled	$10,000 (single); $13,000 (multiple-member household)	See Note	N
Utah	>=65, or disabled	$26,157	$697(homeowner plus an additional 20% of tax on 20% of fair market value); $697 (renter)	Y

TABLE 1A (*CONTINUED*)

State	Eligible Households	Maximum Eligible Income	Maximum Benefit	Available to Renters
Vermont	All ages	$47,000	See Note	Y
Washington	>=61; or disabled	$30,000	Exemption up to 60% of assessed value subject to regular levy	N
Wisconsin	All ages	$24,500	$1,160	Y
Wyoming	All ages	less than (larger of county median or state gross income)	50% of prior year's paid taxes	N
Sources: Direct communications with each state.				

TABLE 1B - NOTES

Description of circuit breaker programs most current, generally 2005 or 2006 programs.

Average Per capita based on program cost and population as of July 1 in fiscal year noted.

Maine: Cost estimate is for both programs.

Maryland: Renters age >=60, or disabled, or under 60 with dependents.
Homeowners (excludes primary residence) and renters net worth <$200,000).
Homeowners: credit only available on taxes paid on 1st $300,000 of assessment.

Massachusetts: In addition to other limitations, property taxes or equivalent rent payments must be <10% of income. Rent deduction program is separate and costs the state an additional $113.2 million.

Minnesota: The special property tax refund program applies to increases of $100 or more in property taxes.
Homeowner program cost $174 million with 300,000 recipients; renter program $149 million with 280,000 recipients.

Missouri: Forecasted cost of program by Economic & Policy Analysis Research Center.

Montana: Low-income assistance program reduces the property tax rate by 20%, 50%, or 70% based on income.

Nebraska: Program provides a homestead exemption that declines as income rises. The value of the exemption depends on local tax rates.

Nevada: Assessed value of home <= $200,000; liquid assets <=$150,000.

New Hampshire: Tax credit up to entire state education property tax.

New Jersey: Multiple property tax relief programs: Fair Rebate program, Property tax reimbursement (senior freeze), deduction or credit on income tax return, and annual senior property tax deduction. New Jersey data reflects only homeowner program; renters (791,227) claimed an additional $119.7 million

Michigan: Program cost includes payments to general applicants, senior, veterans, and blind and disabled. Source: FY 2007 Executive Budget, Appendix, Exhibit 18.

New Mexico: An additional rebate program is available for homeowners only in Los Alamos County; the higher income ceiling is $24,000 and maximum credit $350.

New York: State program limited to homeowners on properties <=$85,000. Local governments in New York have option of providing additional relief to those >=65.

North Dakota: Additional requirement that assets must be <= $50,000 (excluding 1st $80,000 value of home). Taxable value (of homestead) in ND equals 4.5% of true and full value.

Ohio: Also offers a % rollback of 10%, plus a tax reduction factor

Pennsylvania: Program increased for 2006; max income (homeowners) increased to $35,000, max rebate to $650.

Rhode Island: Program now available to all ages, subject to income constraints; estimate provided as a range; no hard data provided.

South Dakota: State program pays a refund for either sales tax or property taxes, not both. Local option circuit breaker program also available.

Utah: Homeowner (only) eligible for circuit breaker are also eligible for additional credit called "Homeowner valuation reduction." Separate program for elderly and disabled defers up to all property taxes.

Vermont: Vermont also has a rebate program but it will be combined with rebate program in 2007. Benefit depends on difference between school tax rate, non-school tax rate, and income.

Washington: Seniors with income <$35,000 are eligible for several tax relief programs.

West Virginia: AGI < =150% of federal poverty guidelines.

Wyoming: Refunds reduced by any amounts received from other tax relief programs, including deferral programs.

TABLE 1C

State	Estimated Program Cost (in millions)	Year	# of Eligible Households	Average Per Eligible Household	Average Per Capita	Population
Arizona	$ 5.2	2005			$ 0.88	5,939,292
California	$ 177.2	2004			$ 4.94	35,842,038
Colorado	$ 10.1	2005			$ 2.16	4,665,177
Connecticut	$ 20.5	2006			$ 5.84	3,510,297
Connecticut						
DC	$ 4.1	2004	8,598	$ 476	$ 7.38	554,239
Hawaii						
Idaho	$ 15.5	2005	26,656	$ 580	$ 11.07	1,395,140
Illinois	$ 59.6	2005	286,764	$ 208	$ 4.67	12,763,371
Iowa	$ 19.4	2006			$ 6.54	2,966,334
Kansas	$ 14.7	2004	77,784	$ 189	$ 5.38	2,733,697
Maine	$ 46.1	2006	98,000	$ 470	$ 34.88	1,321,505
Maryland	$ 39.8	2005	46,628	$ 853	$ 7.10	5,600,388
Massachusetts	$ 43.9	2006			$ 6.86	6,398,743
Michigan	$ 747.2	2004	1,412,300	$ 529	$ 73.95	10,104,206
Minnesota	$ 323.0	2006	580,000	$ 557	$ 62.93	5,132,799
Missouri	$ 96.1	2006	211,028	$ 455	$ 16.57	5,800,310
Montana	$ 11.9	2003	24,475	$ 486	$ 12.71	935,670
Montana	$ 2.4	2006			$ 2.53	935,670
Nebraska	$ 53.9	2005	52,785	$ 1,020	$ 30.62	1,758,787
Nevada	$ 4.7	2006	14,520	$ 322	$ 1.94	2,414,807
New Hampshire	$ 3.8	2006	22,300	$ 170	$ 2.90	1,309,940
New Jersey	$ 575.2	2004	499,774	$ 1,151	$ 66.22	8,685,166
New Jersey	$ 383.7	2004	1,123,460	$ 342	$ 44.18	8,685,166
New Mexico	$ 4.0	2004	21,700	$ 184	$ 2.10	1,903,006
New York	$ 29.9	2004	285,204	$ 105	$ 1.55	19,280,727
North Dakota	$ 1.8	2004	5,139	$ 359	$ 2.90	636,308
Ohio	$ 68.8	2003	223,835	$ 307	$ 6.01	11,431,748
Oklahoma	$ 69.5	2006	NA		$ 19.58	3,547,884
Pennsylvania	$ 123.6	2004	321,667	$ 384	$ 9.97	12,394,471
Rhode Island	$ 11.0	2005			$ 10.22	1,076,189
South Dakota	$ 0.6	2006	3,054	$ 204	$ 0.80	775,933
Utah	$ 8.4	2005	25,953	$ 322	$ 3.45	2,420,708
Vermont	$ 28.2	2004	44,317	$ 637	$ 45.41	621,233
Washington	$ 51.3	2006	115,801	$ 443	$ 8.15	6,287,759
Wisconsin	$ 127.2	2005	252,215	$ 504	$ 22.98	5,536,201
Wyoming	$ 0.1	2005	566	$ 236	$ 0.26	509,294

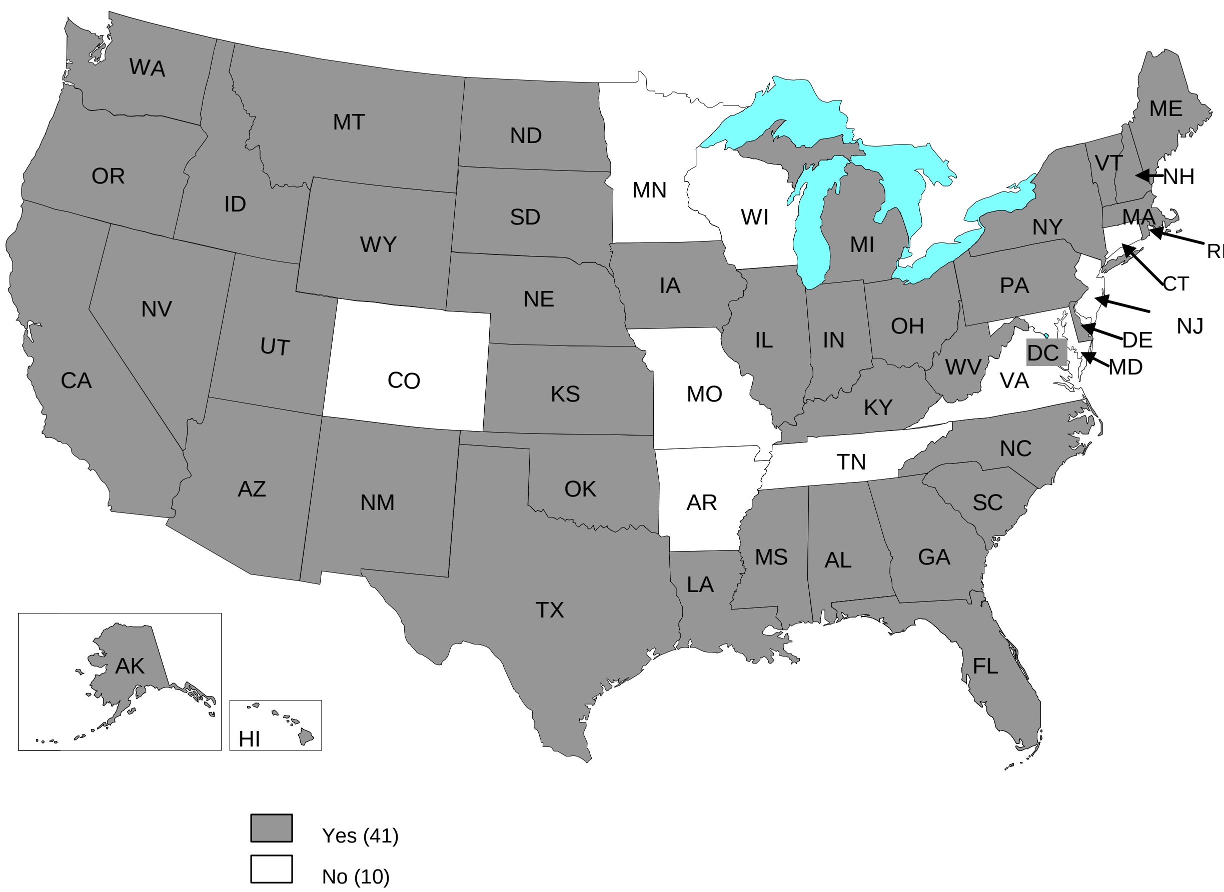
Population data: U S. Census at http://www.census.gov/popest/states/NST-ann-est.html on 11/7/2006.

APPENDIX B - HOMESTEAD EXEMPTIONS OR CREDIT PROGRAMS BY STATE

HOMESTEAD EXEMPTIONS

- Homestead exemptions are reductions in the market value of property subject to tax, or reductions in the taxable value of property subject to tax for owner-occupied homes.
- Forty states and DC have homestead exemptions.
- Nebraska, New York, North Dakota, Ohio, and Washington offer homestead exemptions that act as circuit breaker programs.
- Most states provide homestead exemptions to homeowners of all ages.
- The value of homestead exemptions depends on the assessment level.

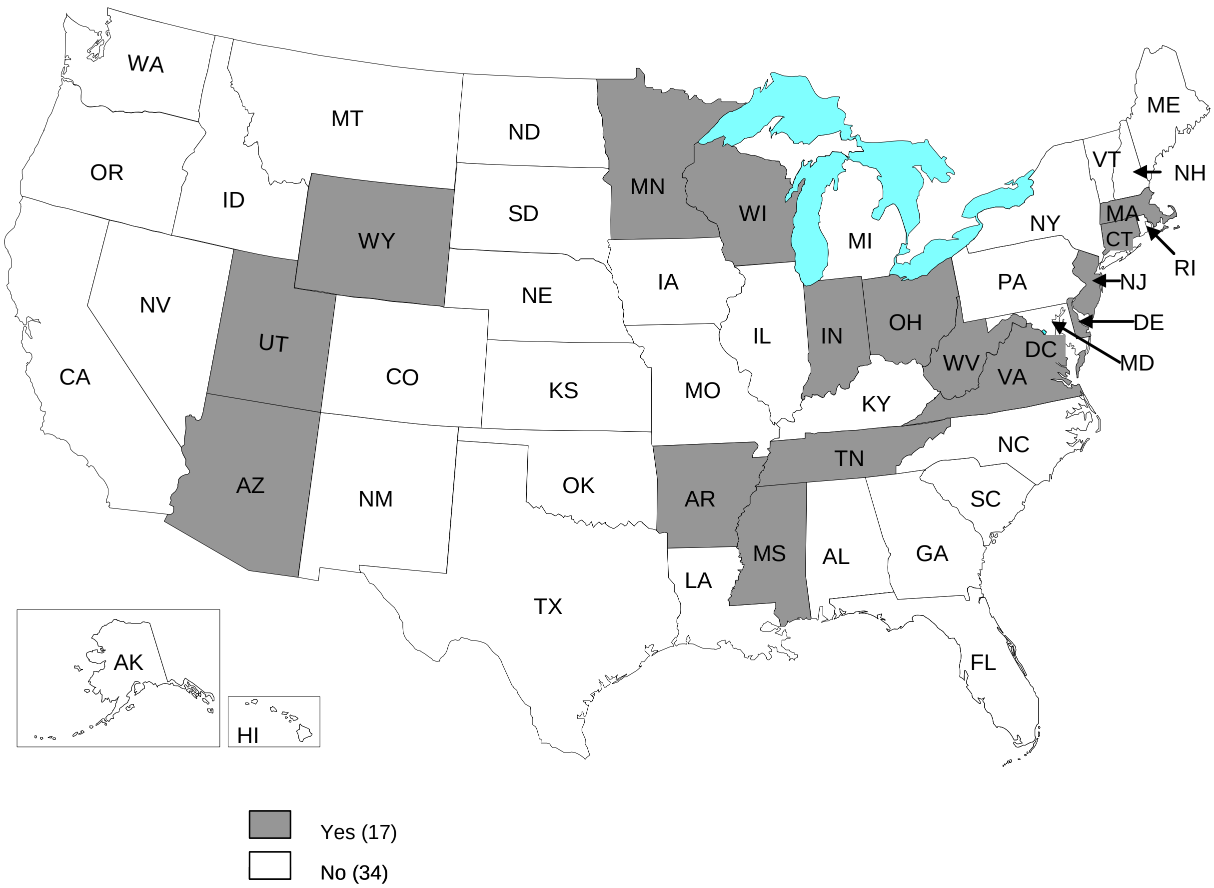
Homestead Exemptions in 2005



HOMESTEAD CREDITS

- Homestead credit programs offer the same property tax credit (or procedure used to calculate the credit) to all eligible homeowners.
- Sixteen states and DC have homestead credits.
- Most states provide homestead credits to homeowners of all ages.

Homestead Credit Programs in 2005

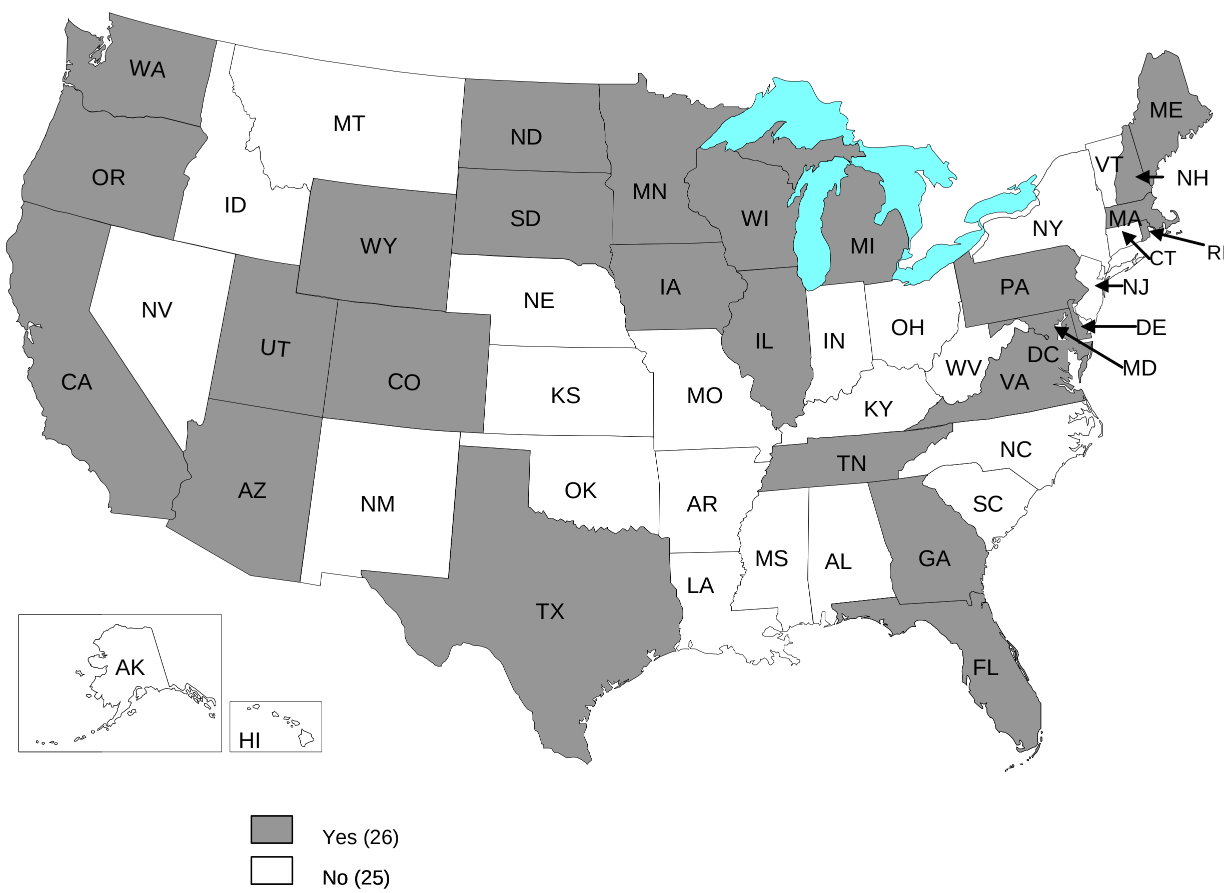


Data from power point presentation by David Baer for 10/6/05 Property Tax Summit titled State programs & practices for reducing residential property tax. <http://ppa.boisestate.edu/centerppa/documents/20051006pm0315-baer.pdf>

APPENDIX C - PROPERTY TAX DEFERRAL PROGRAMS BY STATE

- Property tax deferral programs allow homeowners to postpone payment of their property taxes until their house is sold.
- Twenty-five states and DC provide property tax deferral programs.
- Participation rates are very low.
- Almost all programs are for older or disabled homeowners.

Property Tax Deferral Programs in 2005

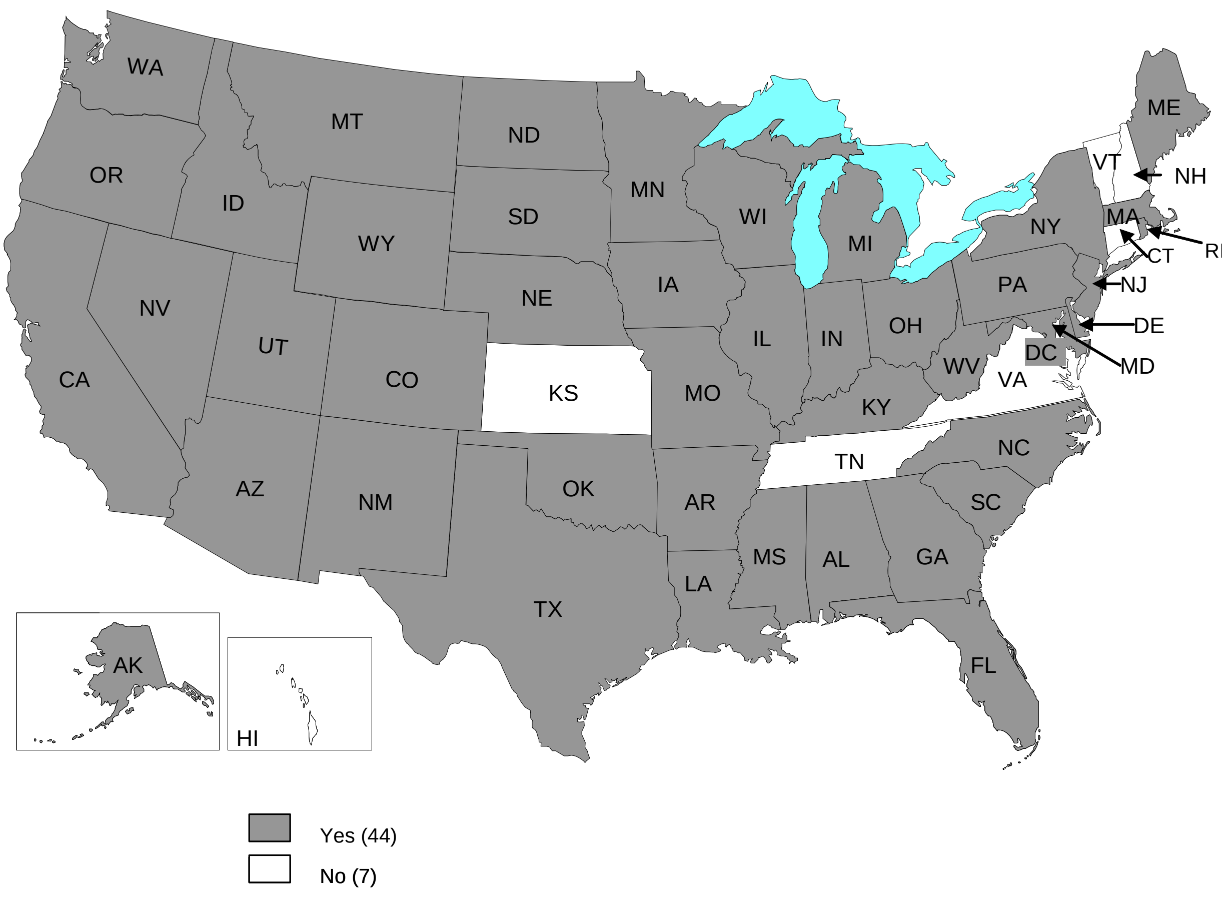


Data from power point presentation by David Baer for 10/6/05 Property Tax Summit titled State programs & practices for reducing residential property tax. <http://ppa.boisestate.edu/centerppa/documents/20051006pm0315-baer.pdf>

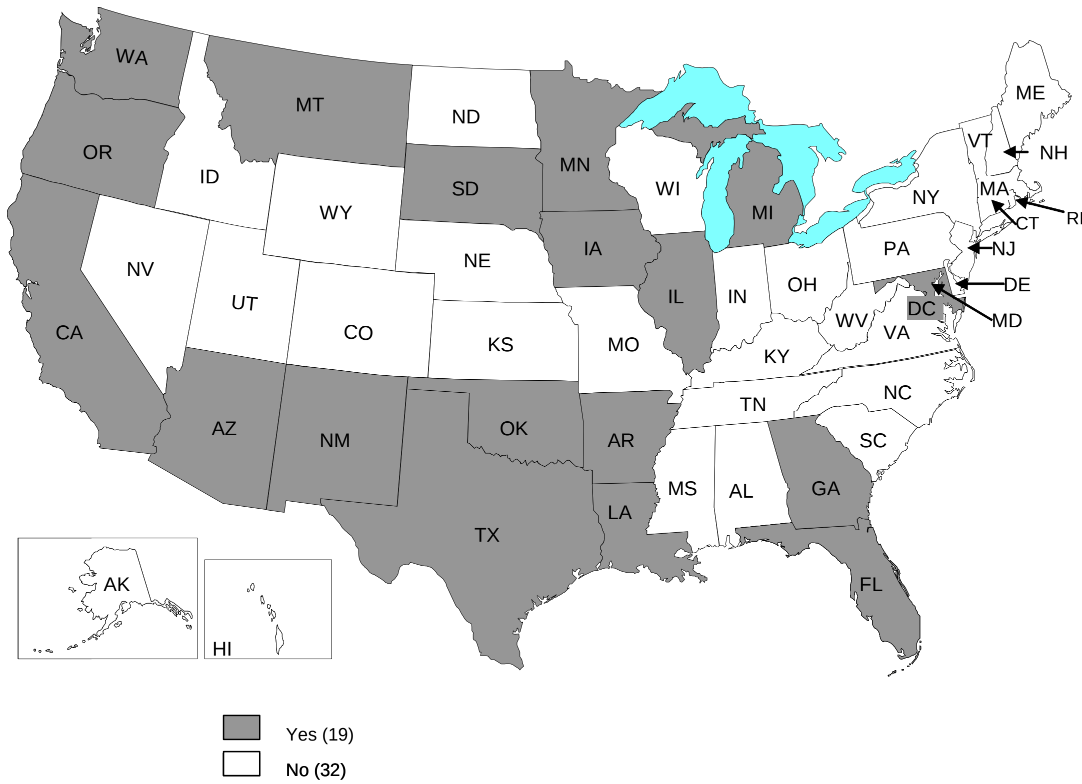
APPENDIX D - PROPERTY TAX CAPS, LIMITS, OR FREEZES BY STATE

- Forty-four states have property caps, limits, or freezes on property tax rates, values, or taxes.
- Property tax limits can apply to individual homeowners, to taxing districts, or to the whole state.
- Eleven states and DC limit increases in property values for non-senior homeowners.
- Eleven states provide freezes on property values or property taxes for older or disabled homeowners.
- Property tax caps can create tax inequities among homeowners.

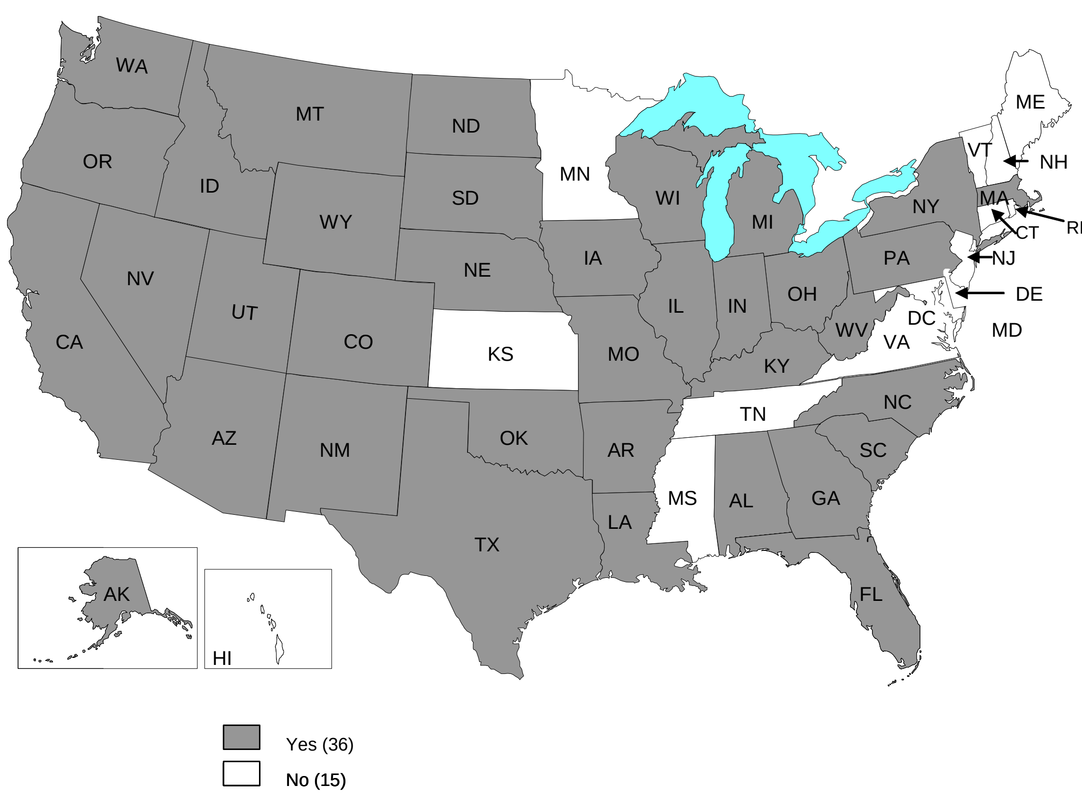
Limits on Assessed Property Values, Property Tax Rates, or Property Tax Revenues in 2005



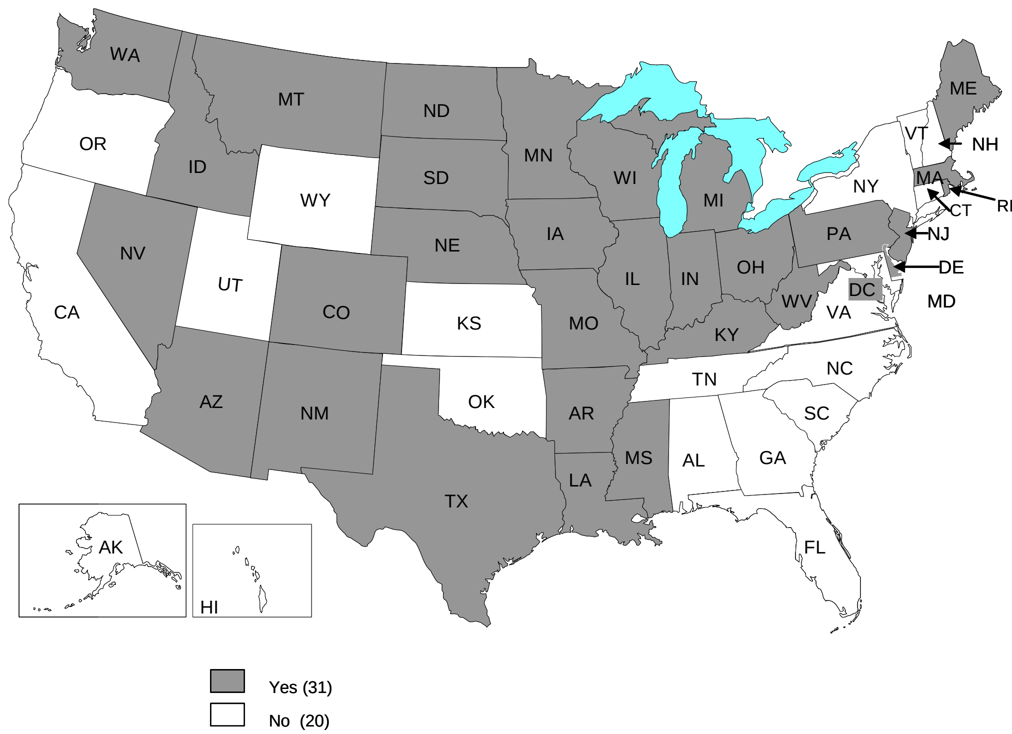
Assessed Property Value Limits in 2005



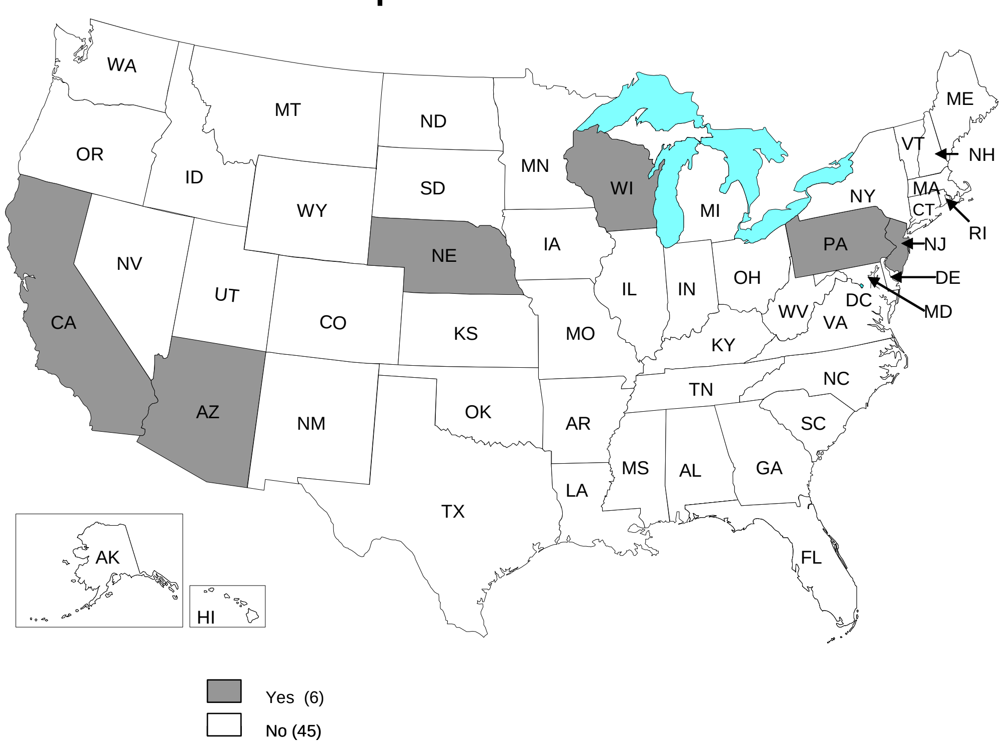
Property Tax Rate Limits in 2005



Property Tax Revenue Limits in 2005



Local Expenditure Limits in 2005



Data from power point presentation by David Baer for 10/6/05 Property Tax Summit titled State programs & practices for reducing residential property tax. <http://ppa.boisestate.edu/centerppa/documents/20051006pm0315-baer.pdf>

APPENDIX E - CONSTITUTION AMENDMENT #2

Shall Article II, Section 28, of the Constitution of the State of Tennessee be amended by inserting the following language immediately after the fourth paragraph:

By general law, the legislature may authorize the following program of tax relief:

(a) The legislative body of any county or municipality may provide by resolution or ordinance that:

(1) Any taxpayer who is sixty-five (65) years of age or older and who owns residential property as the taxpayer's principal place of residence shall pay taxes on such property in an amount not to exceed the maximum amount of tax on such property imposed at the time the ordinance or resolution is adopted;

(2) Any taxpayer who reaches the age of sixty-five (65) after the time the ordinance or resolution is adopted, who owns residential property as the taxpayer's principal place of residence, shall thereafter pay taxes on such property in an amount not to exceed the maximum amount of tax on such property imposed in the tax year in which such taxpayer reaches age sixty-five (65); and

(3) Any taxpayer who is sixty-five (65) years of age or older, who purchases residential property as the taxpayer's principal place of residence after the taxpayer's sixty-fifth birthday, shall pay taxes in an amount not to exceed the maximum amount of tax imposed on such property in the tax year in which such property is purchased.

(b) Whenever the full market value of such property is increased as a result of improvements to such property after the time the ordinance or resolution is adopted, then the assessed value of such property shall be adjusted to include such increased value and the taxes shall also be increased proportionally with the value.

(c) Any taxpayer or taxpayers who own residential property as their principal place of residence whose total or combined annual income or wealth exceeds an amount to be determined by the General Assembly shall not be eligible to receive the tax relief provided in subsection (a) or (b)?

Yes ☐

No ☐

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