

**Cape Elizabeth Town Council Workshop Agenda**  
**Tuesday, May 1, 2018 7:00 p.m.**  
**Cape Elizabeth Town Hall Council Chambers**

**3. Senior Citizen Tax Relief Ordinance and Program 2018 Town Council Goal** - Explore the creation and implementation of a senior citizen property tax relief program. Clinton Swett, Town Assessor provided a presentation on a proposed senior citizen tax relief program at the April 9, 2018 town council meeting.

It was a consensus to continue review of the proposed program including how the program may be financed and what perimeters/criteria may be appropriate for Cape Elizabeth.

The town council will discuss the ordinance/program. Town Assessor Clinton Swett will be present to answer questions and receive guidance on possible next steps.

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# Proposed Senior Tax Relief Program

Modeled after the Town of Scarborough, Maine program

# General Framework:

- Property owner at least 62 years of age
- Cape Elizabeth resident for at 10 years or more
- Test for Eligibility
  - Income cap of \$50,000
  - Median Household Income of 65 years and older is \$59,700 (INCOME BY ZIP CODE, 2017)
  - Property Taxes must exceed 5% of your Federal Adjusted Gross Income
- Confidential – Assessor's Office will not keep them, only verify for eligibility, not become part of town's possession (non FOA docs).
  - ME Drivers license, US Passport, Fed Tax forms 1040, 1040A, 1040-EZ, Social Security Benefit Statements
- Maximum benefit is capped at \$500 per household
- Modeled after similar program in Scarborough, with some subtle changes

# Scarborough Ordinance Notes:

- Written request to the Tax Assessor no later than October 15<sup>th</sup>.
- Annual filing is required to remain in program; this is to verify income for the new year.
- Tax Assessor may accept a statement under oath
- Tax Assessor shall process the application and determine if the applicant is eligible; Assessor's decision shall be final
- Tax Assessor shall report in writing to the Town Council no later than the first Town Council Meeting of December. The reported numbers can be used for the upcoming Budget Cycle/Workshops.
- Funded by General fund or other sources of support. Any surplus monies available after all payments are made, shall revert to the *Property Tax Assistance Reserve Account*.
- *Checks will be disbursed no later than December 15 for the year in which participation is sought.*
- *One applicant per household*





# Scarborough Budget for Project


## Line item **“Resident Senior Property Tax Relief Fund”**

Comparable Data, Scarborough estimated 2019 population is 19,650, while Cape Elizabeth is only 9,485 (GPCOG.ORG, Community Profile, 1/7/2015)

- Scarborough 2017 Budget was \$75,000
- Scarborough 2018 Proposed budget is \$200,000
- Last year, Scarborough had 312 participants
- Cape Elizabeth, fair to estimate 150 participants? \$75,000 for the program?


# Decisions to be made are...

- Income limit? Keep at \$50,000 or move to Cape Elizabeth Median Household Income level for 65 years and older, which is \$59,700
- Benefit cap of \$500? Should it be increased, if so, to what number?
- Residency of 10 years? Should this number be decreased to 5 years?
- Do the applicants have to be current on their taxes?
- If delinquent, instead of issuing a check should the benefit be applied to back taxes?



**I never learn anything  
talking. I only learn things  
when I ask questions.**

Lou Holtz

 BrainyQuote



**ANY  
QUESTIONS?**

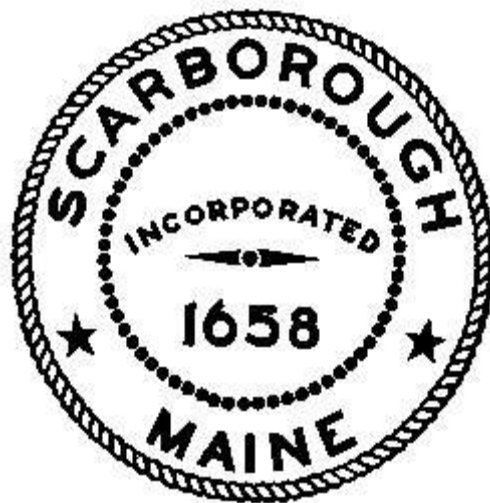


**CHAPTER 313-A**

**TOWN OF SCARBOROUGH**

**PROPERTY TAX ASSISTANCE**

**ORDINANCE**



**Adopted November 4, 2015**  
**Amended June 7, 2017**  
**Amended November 1, 2017**

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**CHAPTER 313-A**  
**TOWN OF SCARBOROUGH PROPERTY TAX ASSISTANCE ORDINANCE**

**Section 1. Purpose**

The purpose of this Ordinance is to establish a program to provide property tax assistance to persons 62 years of age and over who reside in the Town of Scarborough.

**Section 2. Definitions**

Homestead: A homestead is a dwelling owned or rented by the person seeking tax assistance under this Ordinance or held in a revocable living trust for the benefit of that person. The dwelling must be occupied by that person as a home.

Qualifying applicant: A qualifying applicant is a person who is determined by the Tax Assessor or her/his designee, after review of a complete application submitted under Section 4 of this Ordinance, to be eligible for a payment under the terms of this Ordinance. [amended 11/01/17]

**Section 3. Criteria for Participation**

In order to participate in the Property Tax Assistance Program, an applicant shall demonstrate all of the following:

- a. The applicant shall be 62 years of age or more by last day on which an application may be filed under Section 4 of this Ordinance.
- b. The applicant shall have been a resident of the Town of Scarborough with a Homestead therein for the ten years immediately preceding the last day on which an application may be filed under Section 4 of this Ordinance.
- c. The federal adjusted gross income of the applicant (plus that of any other adult members of the applicant's household) does not exceed \$50,000.

**Section 4. Application and Payment Procedures**

Persons seeking to participate in the Property Tax Assistance Program shall submit a written request to the Tax Assessor no later than October 15th. Applications are required every year to participate in this program. The Tax Assessor shall provide an application form for the program, which shall include the applicant's name, homestead address and contact information. At the time of application, Applicants must provide adequate evidence of eligibility. The Assessor may accept a statement under oath. No confidential income records, including tax returns, will be kept by the Town. The Tax Assessor shall review and determine if the application is complete and accurate and if the applicant is eligible to participate in the Program. The Tax Assessor shall notify an applicant if an application is determined to be incomplete. The Tax Assessor's decision on eligibility to participate in the Program shall be final.

**Section 5. Determination of eligibility and amount of eligibility [amended 11/07/17]**

1. Eligibility for Homeowners

If the Tax Assessor determines that the applicant is eligible to participate in the Program, he/she shall determine the amount of the benefit paid. The amount shall be the least of the following:

- a. The amount, if any, by which (i) the taxes assessed for fiscal year of the Town beginning on July 1 of the preceding calendar year exceeds (ii) 5% of the federal adjusted gross income of the applicant (plus that of any other adult members of the applicant's household); or

- b. A pro-rata share of the available monies in the Program Fund, including any amount in the Property Tax Assistance Reserve Account, allocated based on the amount of the refunds determined under sub-section a for all eligible applicants; or
- c. \$600.00. [06/07/17]

In the case of applicants who did not file federal income tax returns, the Tax Assessor, upon presentation of adequate information returns and other information, shall calculate the federal adjusted gross income.

## 2. Eligibility for Renters

In the case of renters, the tax assessed for purposes of Section 5.1.a(i) shall be deemed to be 18% of the rent payable from own funds by applicant (and other adult members of applicant's household) in the preceding calendar year. The Tax Assessor, upon presentation of adequate documents and other information, shall determine the amount of rent.

## **Section 6. Annual Report to the Town Council**

The Tax Assessor shall report in writing to the Town Council no later than their first regular meeting in December each year the projected payments and number of eligible applicants requesting assistance for the program fund.

## **Section 7. Program Fund - Limitations On Payments**

In the event that a lack of funding results in no payment or less than the full payment to a qualifying applicant, the request will not carry over to the next year.

## **Section 8. Creation of the Program Fund**

The Program Fund from which payments shall be made under the terms of this Ordinance shall be created as follows:

As funds are available, the Town Council shall annually appropriate monies from the general fund or other sources to support this program. Any surplus monies available after all payments have been made shall revert to the Property Tax Assistance Reserve Account.

## **Section 9. Timing of Payments**

A person who qualifies for payment under this Program shall be mailed a check for the full amount no later than December 15th for the year in which participation is sought.

## **Section 10. Limitations upon payments**

Only one qualifying applicant per household shall be entitled to payment under this Program each year. The right to file an application under this Ordinance is personal to the applicant and does not survive the applicant's death, but the right may be exercised on behalf of an applicant by the applicant's legal guardian or attorney-in-fact. If an applicant dies after having filed a timely complete application that results in a determination of qualification, the amount determined by the Tax Assessor shall be disbursed to another member of the household as determined by the Town Assessor in consultation with the Town Manager. If the applicant was the only member of a household, then no payment shall be made under this Ordinance.



## **Section 11. Effective Date and Repeal of Prior Ordinance**

This ordinance repeals and replaces Chapter 313, the Town of Scarborough Property Tax Assistance Ordinance adopted on April 18, 2007 as amended such that this Chapter applies to applications for property tax assistance received after October 15, 2015 under this chapter for payments paid beginning in calendar year 2016 related to taxes assessed in fiscal year July 1, 2015 through June 30, 2016, and thereafter.

Town of Scarborough  
Property Tax Assistance Program  
Determination of Eligibility and Benefits

(This version for Tax Filing Owners)

- |   |       |                |  |
|---|-------|----------------|--|
| 1. Name:  | _____ | Phone:         | _____  |
| 2. Address:   | _____ | E-Mail:        | _____  |
| 3. Date of Birth:   | _____ | Document Seen: | _____ ME Driver's License/ID<br>_____ US Passport<br>_____ Other _____ |
| Applicants must be 62 on 10/15/2016<br>Born on/before 10/15/1954                  |       |                |  |
| 4. Resident of Scarborough  | _____ | Document Seen: | _____ Assessing Record<br>_____ Other<br>_____ Oath                    |
| For at least 10 years on 10/15/2016   |       |                |  |
| 5. Federal Adjusted Gross Income  | _____ |                |  |
| From filed Form 1040, 1040-A, or 1040-EZ  |       |                |  |
| 6. Additional income of other adults in household                                 | _____ |                |  |
| 7. Total Income (Line 5 plus Line 6)  | _____ |                |  |
| 8. Income Limit   |       |                | \$50,000   |
| a. If line 7 exceeds line 8: STOP: No benefit paid                                |       |                |  |
| 9. Benefit Threshold  | _____ |                |  |
| 5% of Line 7  |       |                |  |
| 10. Real Estate Tax Assessed  | _____ |                |  |
| July 1, 2015 through June 30, 2016 (FY 2016)                                      |       |                |  |
| 11. Excess of Tax Assessed over Benefit Threshold                                 | _____ |                |  |
| Line 10 minus Line 9. If line 10 does not exceed<br>Line 9: STOP: No benefit paid |       |                |  |
| 12. Benefit Cap   |       |                | \$500  |
| 13. Benefit Determined (Check Mailed by 12/15/2016)                               | _____ |                |  |
| Lesser of Excess Tax of Benefit Cap<br>(Lesser of Line 11 or Line 12)             |       |                |  |

Oath: I certify that the information contained herein is accurate to the best of my knowledge and belief, under penalties of perjury.

Signed: \_\_\_\_\_

Prepared / Approved by \_\_\_\_\_ Date: \_\_\_\_\_



## Town of Scarborough, Maine

P O B O X 3 6 0

S C A R B O R O U G H , M A I N E • 0 4 0 7 0 - 0 3 6 0

Dear Resident,

Thank you for your interest in Scarborough's "Property Tax Assistance Program". When bringing in your application, please ensure that you bring the necessary documents to show that you meet the qualifications for the program. The Assessor's office will not keep any confidential records but we do need to see them for verification.

The three main qualifications are: 1). Applicant is age 62 or older by the application deadline; 2). Applicant has been a Scarborough resident for 10 years or longer by the application deadline; 3). Federal Adjusted Gross Income (household) is less than \$50,000.

If you do not file Federal income taxes, you can bring in your assembled income information (typically your Social Security Earnings Statement) to the Assessing Department. We can review the information to determine if you qualify and assist you in filing your application.

The Town of Scarborough has revised its program, you no longer need to qualify for the State of Maine Property Tax Fairness Credit to qualify for Scarborough's assistance program. To receive a benefit from the Town of Scarborough's Property Tax Assistance Program, you must meet the eligibility criteria listed above and your property tax must exceed 5% of your Federal Adjusted Gross Income.

Please return the completed application to the Assessor's office no later than October 16, 2017.

If we can assist you any further please call at 730-4063 or email [lreichardt@ci.scarborough.me.us](mailto:lreichardt@ci.scarborough.me.us)

Sincerely,

Susan Russo, CMA  
Acting Town Assessor  
Town of Scarborough  
[srusso@ci.scarborough.me.us](mailto:srusso@ci.scarborough.me.us)  
207-730-4063



M/L: \_\_\_\_\_  
 Act #: \_\_\_\_\_  
 Dept Approval: \_\_\_\_\_

*Town of Scarborough, Maine*

Assessor's Office

P O B O X 3 6 0

SCARBOROUGH, MAINE • 04070-0360

**Property Tax Assistance Program**  
 Determination of Eligibility and Benefits  
 For Property Tax Assessed as of April 1, 2016  
**Application Deadline – October 16, 2017**

1. Name of owner(s): \_\_\_\_\_ Phone: \_\_\_\_\_
2. Address of Property: \_\_\_\_\_ E-Mail: \_\_\_\_\_  
 2a. Mailing address (*if different*): \_\_\_\_\_
3. Date of Birth: \_\_\_\_\_ **Document Presented:** \_\_\_\_\_ ME Drivers License/ID  
 Applicants must be 62 on 10/15/2017 \_\_\_\_\_ US Passport  
 Born on/before 10/15/1955 \_\_\_\_\_ Other \_\_\_\_\_
4. Resident of Scarborough **Document Presented:** \_\_\_\_\_ Assessing Record  
 For at least 10 years on 10/15/2017 \_\_\_\_\_ Other \_\_\_\_\_
5. Federal Adjusted Gross Income **Document Presented:** \_\_\_\_\_ 1040  
 From Filed Federal Tax Return \_\_\_\_\_ Social Sec. Benefit Statement  
 Form 1040, 1040-A, or 1040-EZ \_\_\_\_\_
6. Additional income of other adults in household \_\_\_\_\_
7. Total Income (Line 5 plus Line 6) \_\_\_\_\_
8. Income Limit \$50,000  
 a. If line 7 exceeds line 8: STOP: No benefit paid
9. Benefit Threshold \_\_\_\_\_  
 5% of Line 7
10. Real Estate Tax Assessed \_\_\_\_\_  
 July 1, 2016 through June 30, 2017 (FY 2017)
11. Excess of Tax Assessed over Benefit Threshold \_\_\_\_\_  
 Line 10 minus Line 9. If line 10 does not exceed  
 Line 9: STOP: No benefit paid
12. Benefit Cap \$500
13. Benefit Determined (Check Mailed by 12/15/2017) \_\_\_\_\_  
 Lesser of Excess Tax or Benefit Cap  
 (Lesser of Line 11 or Line 12)

**Important note:** Items 3, 4, & 5 above require documentation to be presented to Assessing staff. IF you did not file a Federal Tax Return Please bring your 2016 Social Security Benefit statement.

*Oath: I certify that the information contained herein is accurate to the best of my knowledge and belief, under penalties of perjury.*

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Approved by: \_\_\_\_\_ Date: \_\_\_\_\_





*Town of Scarborough, Maine*

Assessor's Office

P O B O X 3 6 0

S C A R B O R O U G H , M A I N E • 0 4 0 7 0 - 0 3 6 0

Dear Resident,

You are receiving this letter and application form because you have applied for Scarborough's "Property Tax Assistance Program" in the past, or have requested an application. As a reminder, please ensure that you bring the necessary documents in to show that you meet the qualifications for the program. The Assessor's office will not keep any confidential records but we do need to see them for verification.

The three main qualifications are: 1). Applicant is age 62 or older by the application deadline; 2). Applicant has been a Scarborough resident for 10 years or longer by the application deadline; 3). Federal Adjusted Gross Income (household) is less than \$50,000.

If you do not file Federal income taxes, you can bring in your assembled income information (typically your Social Security Benefit Statement) to the Assessing Department. We can review the information to determine if you qualify and assist you in filing your application.

The Town of Scarborough has revised its program, you no longer need to qualify for the State of Maine Property Tax Fairness Credit to qualify for Scarborough's assistance program. To receive a benefit from the Town of Scarborough's Property Tax Assistance Program, you must meet the eligibility criteria listed above and your property tax must exceed 5% of your Federal Adjusted Gross Income.

Please return the completed application to the Assessor's office no later than October 16, 2017.

If we can assist you any further please call at 730-4063 or email [lreichardt@ci.scarborough.me.us](mailto:lreichardt@ci.scarborough.me.us)

Sincerely,

Susan Russo, CMA  
Acting Town Assessor  
Town of Scarborough  
[srusso@ci.scarborough.me.us](mailto:srusso@ci.scarborough.me.us)

## Explaining the Proposed Senior Property Tax Relief Program

### 1. Why does our ordinance need to decouple from the State program?

Our ordinance relies on the State program for eligibility. State program changes caused nearly half of our participants to lose eligibility. Our residents should have a consistent program.

### 2. What is the framework of the new program?

Applicants need to be at least 62 years of age and reside in Scarborough for 10 years (no change from the current ordinance). The test for eligibility then looks at how much of an applicant's income (5%) has to be paid in property taxes. For every dollar the property taxes are more than 5% of income a rebate is paid up to \$500.

### 3. Will the new program be too complicated to manage with our limited resources in assessing?

The formula focuses on simplicity. It uses information that is readily available to applicants and is easily calculated by the staff. No sensitive documents will be or need be retained by the Town.

### 4. Why was 5% of income chosen as a threshold for creating eligibility?

Relying upon the judgments underlying the State's successful earlier program, any percentage in the 4-6% range is probably appropriate as a limit on how much of an applicant's income should go to property tax. The former State program started with 4% and the 2015 proposed legislative fix that failed used 5%.

### 5. Why was \$50,000 chosen as an income cap?

Several benchmarks were considered. The income limit for eligibility for affordable housing like the new Avesta project in Scarborough is slightly below \$50,000. Median household income in Scarborough is roughly \$60,000.

### 6. So a person with income just over \$50,000 gets no benefit?

The draft does cut off eligibility. This is somewhat inequitable but the formula as proposed has a progressive element (higher income levels require higher tax obligations). At the price of increased complexity a phase-out could be introduced. Allowing the program to operate for a year with a "hard cap" will allow us to monitor the need for a phase-out.

### 7. Why was Federal Adjusted Gross Income (AGI) chosen?

The premise was to use a suitable number that nearly every applicant would have. Federal AGI is the simplest of the readily available numbers and is much simpler than Maine AGI. It is anticipated that few if any recipients will have sources of income that escape Federal AGI and staff can monitor for any anomalies.

### 8. Why is the maximum benefit capped at \$500?

\$500 was chosen because it was the limit in the Town's previous ordinance and having a cap helps control the size of the program. With the loss of State program benefits for many Scarborough residents it would not be unreasonable to consider increasing the cap.

### 9. How do the changes work procedurally for adoption?

Chapter 313 is the old ordinance and remains in effect for the 2015 program. Chapter 313-A replaces Chapter 313 for 2016 and thereafter.

### 10. Are renters and persons not filing tax returns covered?

Yes. For renters the same formula applies using 18% of rent (the State figure proposed in the 2015 legislative fix) as their "property taxes". As a practical matter, few renters are expected to be 62 and 10 year residents. Rent subsidies cannot be used to qualify. Non-filers only need to show their W-2's and 1099's to allow staff to calculate Federal AGI.



# IRS Advisory: Prepaid Real Property Taxes May Be Deductible in 2017 if Assessed and Paid in 2017

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IR-2017-210, Dec. 27, 2017

WASHINGTON - The Internal Revenue Service advised tax professionals and taxpayers today that pre-paying 2018 state and local real property taxes in 2017 may be tax deductible under certain circumstances.

The IRS has received a number of questions from the tax community concerning the deductibility of prepaid real property taxes. In general, whether a taxpayer is allowed a deduction for the prepayment of state or local real property taxes in 2017 depends on whether the taxpayer makes the payment in 2017 and the real property taxes are assessed prior to 2018. A prepayment of anticipated real property taxes that have not been assessed prior to 2018 are not deductible in 2017. State or local law determines whether and when a property tax is assessed, which is generally when the taxpayer becomes liable for the property tax imposed.

The following examples illustrate these points.

**Example 1:** Assume County A assesses property tax on July 1, 2017 for the period July 1, 2017 – June 30, 2018. On July 31, 2017, County A sends notices to residents notifying them of the assessment and billing the property tax in two installments with the first installment due Sept. 30, 2017 and the second installment due Jan. 31, 2018. Assuming taxpayer has paid the first installment in 2017, the taxpayer may choose to pay the second installment on Dec. 31, 2017, and may claim a deduction for this prepayment on the taxpayer's 2017 return.

**Example 2:** County B also assesses and bills its residents for property taxes on July 1, 2017, for the period July 1, 2017 – June 30, 2018. County B intends to make the usual assessment in July 2018 for the period July 1, 2018 – June 30, 2019. However, because county residents wish to prepay their 2018-2019 property taxes in 2017, County B has revised its computer systems to accept prepayment of property taxes for the 2018-2019 property tax year. Taxpayers who prepay their 2018-2019 property taxes in 2017 will not be allowed to deduct the prepayment on their federal tax returns because the county will not assess the property tax for the 2018-2019 tax year until July 1, 2018.

The IRS reminds taxpayers that a number of provisions remain available this week that could affect 2017 tax bills. Time remains to make charitable donations. See [IR-17-191](#) for more information. The deadline to make contributions for individual retirement accounts - which can be used by some taxpayers on 2017 tax returns - is the April 2018 tax deadline.

IRS.gov has more information on these and other provisions to help taxpayers prepare for the upcoming filing season.

*Page Last Reviewed or Updated: 28-Dec-2017*