

Explaining the 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 \$600.

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 \$600?

The cap increased to \$600 in 2017, \$500 was initially 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-2s and 1099s to allow staff to calculate Federal AGI.