

Overview of Homestead Programs and Circuit Breakers

M.O.R.E. Municipal Tax Authority
Subcommittee

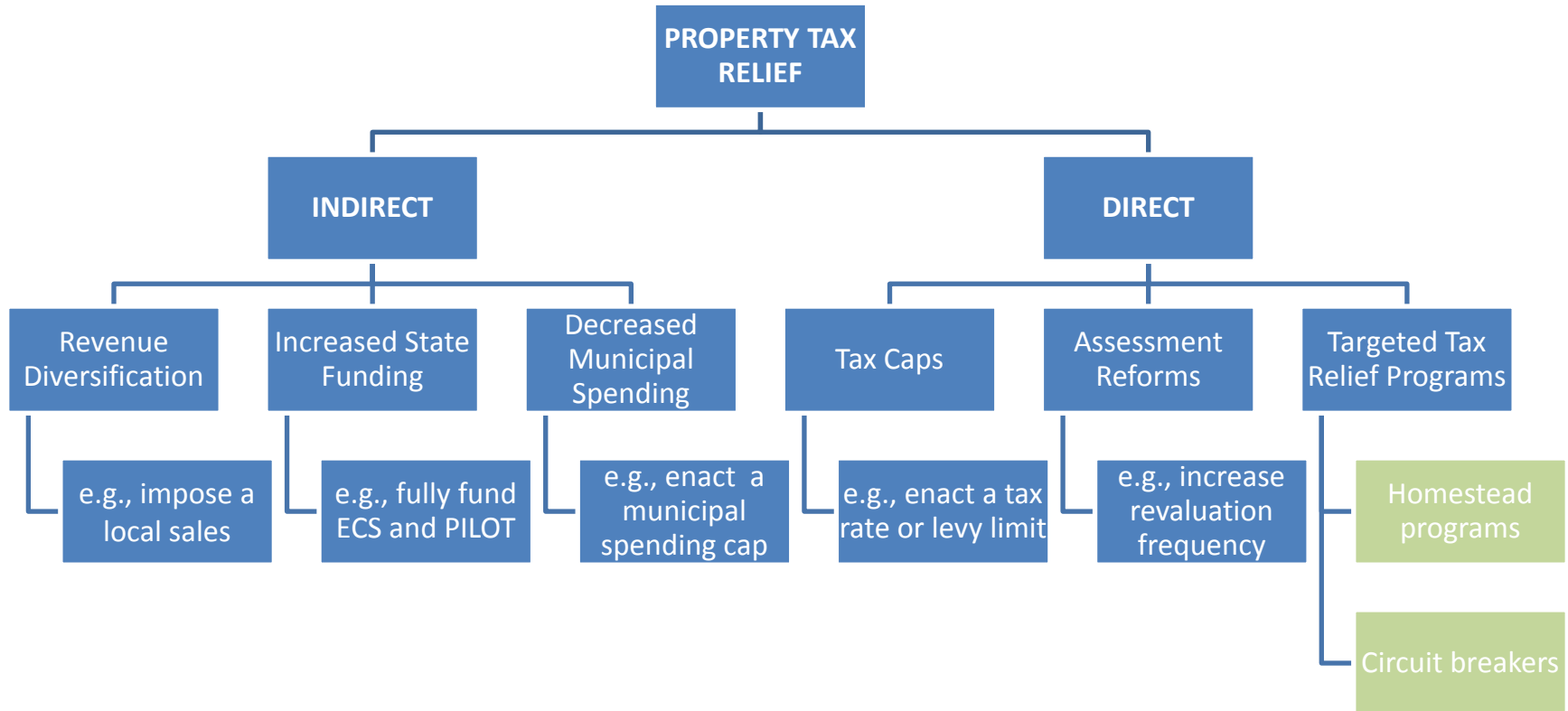
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*Prepared by:
Rute Pinho
Office of Legislative Research*

Outline

- Types of property tax relief
- Targeted tax relief for residential property taxpayers
- Homestead programs
- Circuit breakers
- Connecticut's circuit breaker program

Property Tax Relief



Targeted Tax Relief

- Both homestead programs and circuit breakers provide direct tax relief to residential property taxpayers
- Homestead programs
 - Generally targeted to owner-occupied residential housing and are based on property value
- Circuit breakers
 - Generally targeted to low- or moderate-income homeowners and, in some cases, renters, and are based on income

How do Homestead Programs Work?

- Two types: exemptions and credits
- Homestead exemptions reduce a certain amount of a home's value from taxation.
 - e.g., a \$50,000 homestead exemption would reduce the assessed value of a \$200,000 home to \$150,000
- Homestead credits reduce the property taxes due on a home
 - e.g., a 50% credit against property taxes due or a flat \$250 tax credit

Homestead Program Eligibility Criteria

- Group-based
 - Many jurisdictions restrict benefits or provide more generous benefits to certain taxpayer groups (i.e., veterans, seniors, people with disabilities, widows and widowers)
- Income-based
 - Many require homeowners to meet income eligibility requirements in order to qualify

Which States Offer Homestead Programs?

<i>Homestead Exemption</i>		<i>Homestead Credit</i>	<i>Both</i>
Alabama	Nebraska	Arizona	DC
Alaska	New Hampshire	Arkansas	Georgia
California	New Mexico	Iowa	Illinois
Colorado	New York	Maryland	Kansas
Delaware	North Carolina	Minnesota	Massachusetts
Florida	Oklahoma	New Jersey	Mississippi
Hawaii	Pennsylvania	Tennessee	Ohio
Idaho	South Carolina	Wyoming	West Virginia
Indiana	Texas		
Kentucky	Utah		
Louisiana	Wisconsin		
Maine			

How do Circuit Breakers Work?

- Circuit breakers provide property tax relief that increases as household income declines
- Two basic types: threshold and sliding-scale

Threshold Circuit Breakers

- provide relief to taxpayers paying more than a specified percentage of their household income in property taxes
 - e.g., a 5% single threshold circuit breaker caps property taxes at 5% of income (\$2,000 for a taxpayer earning \$40,000)
 - most states use multiple thresholds that apply incrementally

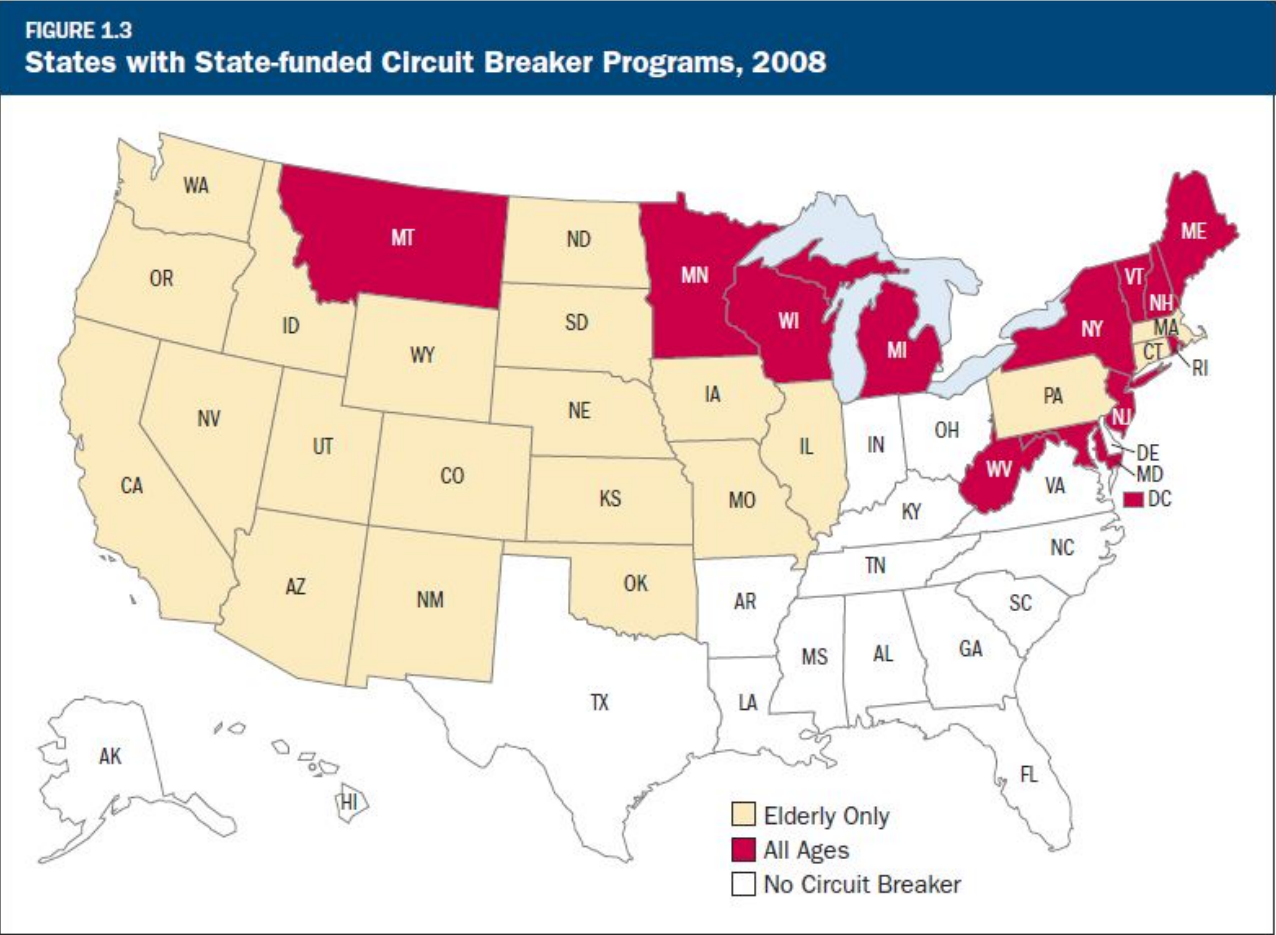
Sliding-Scale Circuit Breakers

- provide relief to taxpayers with incomes that fall within specified income brackets, regardless of their property tax bills
 - e.g., 75% reduction for incomes up to \$10,000, 50% reduction for incomes between \$10,000 and \$20,000, and 25% reduction for incomes over \$20,000

Circuit Breaker Features

- Almost all incorporate income ceilings (most between the poverty line and median income)
- Most set maximum benefit limits; some do so by setting copayment requirements or caps on property tax relief for high-value homes
- Most states include renters as well as owners
- In some states, benefits are restricted to, or more generous for, veterans, seniors, people with disabilities, and widows and widowers

Which States Offer Circuit Breakers?



Notes: Providing benefits for all ages does not always mean providing the same benefits. Six of thirteen states shown as providing benefits for all ages provide enhanced benefits for elderly claimants. The program in Kansas is available to younger residents with a dependent child under eighteen. Funding for California's circuit breaker was suspended in 2008 due to budget constraints.

Connecticut's Circuit Breaker

- Connecticut provides a sliding-scale circuit breaker tax credit to seniors (age 65 or older) and people with disabilities of any age
- Income ceilings are \$33,500 for unmarried homeowners and \$40,900 for married homeowners
- Unmarried homeowners: 4 brackets, tax relief percentages ranging from 40% to 10%, maximum benefit of \$1,000
- Married homeowners: 5 brackets, tax relief percentages ranging from 50% to 10%, maximum benefit of \$1,250
- Renters: rebate equal to 35% of rent and utility paid during the previous year, less 5% of a renter's income, up to a maximum grant based on income; maximum benefit of \$900 for married renters and \$700 for single renters (PA 13-234 limits eligibility for new applicants)