



Final Report of the Senior Tax Credit Task Force

November 13, 2007

SENIOR TAX CREDIT TASK FORCE

Final Report

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Senior Tax Credit Task Force

November 13, 2007

Executive Summary

In the first few months of its first year, the Howard County senior property tax credit saved more than 500 County residents over \$272,500. Many of these residents only qualified for small or no credits under the State Homeowners Tax Credit program. By the end of the application period it is likely that several hundred more residents will receive credits. The Task Force is impressed with the County's efforts to promote and implement the credit. The Task Force finds that insufficient data exists at this time to warrant changing the qualifications for, or the size of, the credit. Therefore, the Task Force suggests that the County Council not make any changes to the current ordinance for the senior property tax credit. The Task Force further recommends that the Council extend the Task Force so that it might report to the Council after studying the final results for this year and analyzing next tax year's first-quarter results.

Final Report

1. History

a. Original Enactment

The County Council originally enacted the senior property tax credit with Council Bill 68-2006. Under the provisions of Council Bill 68, the value of the credit would have compounded at a rate of 5% from a starting point that is 25% less than the previous year's County tax bill. Additionally, Council Bill 68 set a non-indexed income test of \$75,000. Council Bill 68 did not impose an asset test.

b. Creation of Task Force

In January 2007, the County Council enacted Council Resolution 145-2007, which created a Task Force to study the senior property tax credit. The Resolution required the Task Force to study the property tax credit enacted by Council Bill 68-2006, codified as § 20.129 of the County Code.

Council Resolution 145-2007 also spelled out the duties of the Task Force and established deadlines for interim and final reports.

c. Membership of Task Force

Council Resolution 145-2007 specified the membership of the Task Force and identified the appointing authorities. Under this authority, the membership of the Task Force was: Janice Bloodworth, who was appointed by Council member Watson from District 1, Randall Nixon, who was replaced by Larry Lewis, who were appointed by Council member Fox from District 5, Sue Brown, who was appointed by Council member Sigaty from District 4, Colin Burke, who was appointed by Council member Ball from District 2, Curt Curtis, who resigned mid-year, who was appointed by Council member Terrasa from District 3, Pat Dornan, who represented the Howard County Taxpayers Association, Susan Buswell, who represented the Howard County Chapter of the League of Women Voters, Frank Chase, who represented the Association of Community Services, Peter J. Rogers, who represented the Howard County Economic Development Authority, Joel Yesley, who represented the Howard County Citizens Association, Don Dunn, who represented the Commission on Aging, Ted Meyerson, elected by the members as chairman, also represented the Commission on Aging, and Sara

Hamer and Sherman Howell, who represented the Office on Aging. The Task Force also included 2 non-voting ex officio members from County government: Ron Weinstein and Ray Wacks, the former and current Budget Directors, and Sharon Greisz, the Director of the Department of Finance.

d. Charge to Task Force

The initial charge to the Task Force was to evaluate the credit enacted by Council Bill 68-2006 in relation to County master plans, budget, and revenues; to recommend changes to the income qualification and the amount of the credit; and to make recommendations about any actions the County Council should take in relation to the Bill, the County budget, and the needs of seniors in the County. The Task Force was encouraged to set aside time to take comments from the public.

The Task Force was required to offer an interim oral report to the County Council not later than February 15, 2007. The oral report was presented on February 12, 2007. The Task Force was further required to make an interim written report to the Council not later than February 22, 2007. The Task Force approved this report on February 15, 2007.

The Task Force was further charged with making a final oral report on or before November 14, 2007, and a written final report on or before November 21, 2007. The final oral report will be offered to the County Council on November 13, 2007, and this final written report was approved by the Task Force on November 1, 2007.

To accomplish its goals, the Task Force was required, but not limited, to study participation rates and fiscal impacts of the credit during its first year, to monitor changes to State law that relate to senior tax policy, to review similar

credits in other Maryland counties, and to solicit diverse viewpoints from officials, experts, and the public.

2. Process

To accomplish its mandate and develop its reports, the Task Force held 19 meetings between January 10 and November 1, 2007, including two public hearings. On January 30, the Task Force spent the day visiting seven senior centers to solicit public viewpoints, and held a public hearing that evening. The Task Force also received comments from the public by mail, fax, phone, and email.

All meetings were open to the public and the press. Each meeting was publicized on the County's web site and on the Council's bulletin board. Meeting notices were sent to the Baltimore Examiner, Baltimore Sun, Columbia Flier, Howard County Times, Laurel Leader, Washington Post, and The View. Meetings were also publicized on GTV.

The Task Force spent much of its time amassing and assimilating information about property taxes, legislation affecting property taxes, population changes, and the cost of the current tax credit. The Task Force was briefed by County and State officials and by a banker specializing in reverse mortgages. The Task Force reviewed available demographic information about seniors in an attempt to learn how many senior households there are in the County, household income, and the tax burden.

The Task Force found that the existing income data by age and associated home ownership tax burden was difficult to ascertain with any degree of certainty.

3. Task Force Initial Findings And Recommendations

a. Demographic Estimates

The Task Force looked at how and why the County senior population might

change. The Task Force found that, even though some seniors leave Howard County, there is no empirical evidence to demonstrate that property taxes alone cause seniors to leave the area, sell their homes, or default on medical bills. The Task Force heard, anecdotally, that seniors leave the area and establish residency in other regions for many reasons; among them are the cost of living in this large Metropolitan area, and the impact of all sorts of Maryland taxes, for example inheritance taxes, income taxes, and property taxes.

The recent Senior Migration Study, published in June of 2006, stated that between 1995 and 2000 Howard County had an increase in the population of seniors 65 and older. Among the reasons seniors gave for migrating to Howard County were they wanted to return to where they grew up, they wanted to be near grown children who could help them with daily activities, and they wanted to live in a county that offers so many services.

There was a loss in the population of people aged 55 to 64. It seems reasonable to assume that they were still in the work force and left for employment opportunities elsewhere. It might also be reasonable to assume that the migration of people caused by BRAC will result in people 55 to 64 moving into Howard County, reversing the previous trend, and resulting in a net growth of citizens owning taxable property who might, in the future, qualify for the Senior Tax Credit.

Additionally, it is generally understood that the population of seniors will grow dramatically due to the well advertised aging of the “baby boomers,” and the reality that, in general, people are living longer. Those two facts and the net gains expected from migration indicate that the number of seniors 70 years old and older who will live in Howard County and qualify for the property tax credit will likely grow significantly.

b. Public Comment.

In public testimony, many seniors stated their beliefs that they should have a reduction in property taxes or, indeed, pay no property tax at all, because they were no longer a major expense to the community -- they use roads less, are not likely to cause crime, and have no children in school. Many fervently believe that property taxes would be smaller if spending was not “out of control.” They believe all Departments, Offices, and Agencies in the County, particularly the Board of Education, should eliminate waste and operate on tighter budgets, and that doing so would enable the County to lower taxes for everyone.

Unquestionably, there are people on fixed, or nearly fixed, incomes that, because of a booming real estate market, have seen the values of their properties and their tax assessments increase at unprecedented rates. Some face property taxes that have grown out of proportion to their ability to pay, and they seek tax relief.

c. Estimated Participation

Using the best available data, the Task Force estimated that between 1,800 and 2,400 taxpayers would be eligible for the senior property tax credit. Unfortunately, there is little solid data on the incomes and assets of seniors who own property in the County.

d. County Finances

Based on County staff estimates; the Task Force concluded that the senior property tax credit could cost the County between \$1.5 and 2 million in its first year.

e. Legal Issue

The credit as enacted by Council Bill 68-2006 would have frozen in perpetuity an applicant's County tax bill at 25% below the base year's amount. A January 24, 2007, letter of advice from the Maryland Attorney General's Office indicated that, insofar as CB68 freezes taxes, "it is inconsistent with the Uniformity Clause of the Maryland Constitution." The County Office of Law concurred with this interpretation leading the Task Force to recommend repeal of the suspect provision.

f. Amended Credit

Based on the recommendations in the interim report of the Task Force, the County Council enacted Council Bill 10-2007 and Council Resolution 22-2007, which implemented most of the recommendations. Council Bill 10 repealed the legally-suspect freeze, pegged the income test to an index, added an asset test, clarified the application of other tax credits, and required certain outreach measures. Council Resolution 22 called on the business community, particularly tax preparers, to publicize the availability of the credit.

4. Other Counties

The Howard County senior property tax credit was enacted under the authority of § 9-245 of the Tax-Property article of the Maryland Code. That statute authorizes counties to grant a property tax credit of any amount against the principal residence of property owners "at least 70 years old and of limited income".

To date, no other county has enacted a credit under this authority. However, pending before the Baltimore City Council is bill 06-0550, which would provide a senior property tax credit similar to ours but with an income cap of \$35,000. It was heard in January 2007, but no subsequent action has been taken.

Under other authority -- the State Homeowners' Property Tax Credit statute ("circuit breaker") -- Anne Arundel, Carroll, Montgomery, and St. Mary's counties have enacted senior tax credits. That statute is directed at a taxpayer of any age who has a low income and low net worth. Section 9-215 of the Tax-Property article allows counties to supplement this credit.

Anne Arundel County grants automatically a senior tax credit to about 2,700 seniors 70 and older reducing their tax bills by about \$86 a year on average. The credit applies only to seniors who have lived in their homes for at least 10 years.

In Carroll County, a property owner over 65, with an income less than \$50,000 and a net worth less than \$500,000 is granted a supplement. The most recent information made available to the Task Force indicates that Carroll County had only issued one credit in the amount of \$460.

Montgomery County's supplemental credit for those 70 and older is 25% of the State credit that the taxpayer receives in that tax year and is applied automatically based on the State application form.

In St. Mary's County, a low-income homeowner age 70 or older who receives a State Homeowners' Tax Credit can receive an additional credit from St. Mary's County. The credit will be a match of the state credit up to the amount of the tax bill. St. Mary's County also has another senior property tax credit, which is popularly known there as the "senior cap". This credit is only available to those who do not qualify for the State credit. Under the senior cap, a residential property tax payer who is at least 70 years old with a net income (based on state income tax return numbers) not exceeding \$80,000 has the county property tax bill frozen at the base year level for as long as the property owner or spouse remains qualified. Last year, about 1,000 taxpayers qualified at a cost to St. Mary's County of about \$87,000 total. This St. Mary's credit was passed by the General Assembly in 2005 and will sunset in 2010. The Attorney General has indicated that making this a permanent measure would

raise constitutional issues.

Six other counties (Baltimore County, Calvert, Charles, Frederick, Harford, and Howard) offer supplements to the State Homeowners Tax Credit to some degree for low-income taxpayers of any age. These supplements are modest.

5. Results To Date

a. Number of Applications Distributed

To date, the Department of Finance has distributed more than 1,700 applications for the senior property tax credit. An additional number of applications were distributed by the County Council staff and the Office on Aging. Applications were also available for download from the County web site.

b. Number of Applications Received

As of early October 2007, the Department of Finance had received over 1,000 applications. Of those, about 300 were awaiting information from the State before they could be fully processed.

c. Fate of Applications

Of the applications processed by early October 2007, about 500 had been granted senior property tax credits. Over 180 applicants did not receive senior property tax credits because the applicants' State Homeowners Tax Credits granted exceeded 25% of the County tax bill. About 300 applications are awaiting action by the State before the County can act on them.

The County denied 62 applicants because of incomes or assets that exceeded

the limits. An additional 22 applications could not be processed because they were incomplete and 13 applicants withdrew their applications.

d. Nature of Recipients

An analysis of the applicants by the Department of Finance showed that two-thirds of the applicants had total assets of less than \$200,000 and most had non-retirement assets of less than \$200,000. The Department concluded that, if the County credit had the same asset test as the State credit, 18% fewer applicants would have been eligible for the County credit. The Department also noted that 42% of the applicants entirely lacked retirement assets.

Of the applicants who received County credits, more than half had incomes greater than \$50,000 a year (but below the cut off of \$68,450). Seventeen applicants (out of 505 awarded a County credit) had incomes below \$30,001 a year.

Fifty-one (out of 689) applicants had incomes below \$20,001 a year. All of these applicants received State credits that exceeded 25% of their County tax – reducing their County tax to an average of \$145 –and therefore no County Credit was allowed.

e. County Finances

As of October 9, 2007, the Department of Finance had issued 505 County credits totaling \$272,563.52. Another 184 applicants received State credits that exceeded 25% of their County tax and therefore no further County credit was issued. The final tally cannot be known until all of the applications are processed. Many applications are awaiting processing by the State and others may arrive before the October 31 deadline. Although the exact sum will not be known for some time, the Department of Finance predicts that the total of senior tax credits issued will not exceed \$459,000.

f. State Credits

As of the end of September 2007, 1084 recipients (a 20% increase over 2006) had received State Homeowners Tax Credits for the 2007 tax year amounting to \$1.6 million (a 33% increase over 2006). The average credit was \$1,468. For the same period in 2006, 903 recipients received \$1.2 million in State credits. The 2006 average State credit was \$1,367.

g. Staff Time, Cost To Process

In addition to the reduction in revenues, the County spent considerable amounts to promote and process the credit. The Department of Finance reports that it spent \$103,100 to implement the credit. The Department has further on-going expenses of \$42,000 a year to handle the credit. Additionally, the Office on Aging reported that it devoted many hours of staff time to assisting about 130 seniors interested in the credit.

h. Public Opinion & Feedback

The Task Force held two public hearings: January 30, 2007, and September 26, 2007. The Task Force received many comments, ranging from those who were completely satisfied to those who were upset that they missed the age, income, or asset qualification by a narrow margin. In addition to those who appeared in person, approximately 60 individuals called or wrote to express either satisfaction or dissatisfaction. Some individuals provided testimony that was only remotely connected to the tax credit.

The Task Force notes, public testimony included recommending that the County credit not be linked to the State credit; recommending that the income test for the credit be based on net income rather than gross income; requesting that applicants get acknowledgements of applications receipt and regular status updates; asking that the application be simplified and ~~that~~ fewer

attachments be required; asking that the letter explaining whether or not a credit was granted be rewritten as it is difficult to understand; recommending that the credit be made more generous; suggesting that the County make greater efforts to publicize the availability of the credit; recommending that the asset test be raised or lowered or certain kinds of assets be excluded; objecting to delays in processing; and suggesting that seniors be exempt from paying the part of the taxes that would go to the public schools.

A number of people asked questions about the law, their applications, and other related issues.

6. Outreach

a. Efforts

Significant attempts were made to inform taxpayers of this new credit. The Department of Finance mailed more than 76,000 postcards to property owners. Eight clinics were held at senior centers. Information was posted on the County web site. Contingent employees were hired to handle a special phone number. And tax preparers were asked to educate their clients.

b. Effectiveness

Because the number of people who might qualify for the senior tax credit is only roughly estimated, the effectiveness of the County's outreach efforts cannot be evaluated at this time.

7. Application Process

a. Form

Some members of the Task Force thought that the application form was overly complex and that copies of too many documents were required.

The Department of Finance attributes many of the problems in processing applications to the newness of the process and the delay attributed to the timing of the enactment of Council Bill 10-2007. Finance suggests, and the State Department of Assessments and Taxation concurs, that processing in the second year of the credit should be significantly improved. Finance has had time to hone its procedures and applicants will be more practiced with the form and more familiar with the process. The Department says that July 2008 tax bills will reflect credits for those who have submitted both the State and County applications by May 1, 2008. If no changes are made to the form, the Department will mail them in January or February 2008.

b. Assistance

Many applicants were extremely appreciative of the patient help that they received from the Department of Finance and Office on Aging.

8. Observations And Recommendations

a. Insufficient Data

The Task Force notes that there are other tax relief measures available to some seniors including the Homeowners' Tax Credit. Although there are no studies that show participation rates for any tax credit, almost every member of the Task Force was struck by the almost total lack of knowledge among seniors of available tax relief programs. As far as the Task Force could ascertain, the information included in this report is the only careful study of a tax credit undertaken in Maryland; and it is limited to analyzing data from those who applied for this tax credit.

Additionally, as of this writing, about 300 applications for the senior property tax credit are still in processing. Because the application deadline was

extended to October 31, new applications may arrive until that date. Thus, the final results for this tax year will not be known until February at the earliest.

The Task Force notes that sufficient data does not exist to show whether most people who might have qualified for the credit have actually applied for it. As this is the first year for the senior property credit, it is not possible to perceive any trend lines. Data from subsequent years might show increased participation based on the accumulation of outreach efforts or data might show that most potential applicants were, in fact, reached. But, at this time, it is impossible to know what percentage of those who might be eligible for a tax credit actually applied for it.

Based on this uncertainty, the Task Force recommends that the Council extend the Task Force and instruct it to re-convene later in 2008 to re-examine any additional data that may be available for this tax year and for the coming tax year.

Furthermore, to close the data gap, the County may wish to commission and pay for a study aimed at more accurately determining the number of households that could qualify for this credit. The study should also develop other data useful to the County Council about the growing senior population and data concerning the financial condition of senior property owners.

Without reliable data, the Task Force cannot make solid recommendations about participation rates, outreach efforts, or whether the means qualifications should be altered.

b. Simplification

The Task Force has heard from about 10% of those who applied for the senior tax credit. Even though some have complained that the application form is too complex or intrusive and may have sought help in completing the form others

have reported that the form, though time-consuming, was not difficult.

The Task Force was impressed by the painstaking efforts of Department of Finance staff to patiently help those who sought help. The Task Force notes also that other applicants were assisted by the Office on Aging.

Given the overlap between the State form and the County form, might it be possible for the County form to only seek the information that is not already on the State form?

Obviously, the form is driven by the requirements of the ordinance that creates the credit. There were people who complained about the form and needed help completing it and some members of the Task Force believe that the form could be simplified. Perhaps language could be clarified or perhaps applicants could be asked to merely attest to a particular income or asset level without requiring applicants to describe these levels in detail or to attach supporting documents. However, Finance believes that those details are necessary for the Department to fulfill its fiduciary responsibility to the County.

c. Relationship with State credit

One of the side-effects of the effort to reach those likely to benefit from the senior property tax credit is that many more residents of the County sought the State Homeowner's Tax Credit – a 20% increase. This resulted in tax credits for residents who have never applied for a State credit. And, informing residents that there is a 3-year “look back” for those at least 70 years old may result in additional tax credits for residents who had no knowledge about that possibility.

On the other hand, coupling the senior tax credit with the State credit has led to considerable delays in processing applications. The Department of Finance

necessarily must wait for the State Department of Assessments and Taxation to act before the County application can be evaluated. Additionally, for the poorest applicants, the State credit exceeds a 25% discount; those applicants receive no additional County credit.

Decoupling the County credit from the State credit would improve processing times but the additional cost to the County is not clear; also not clear is the effect on those who, but for the County's requirements, would not have applied for the State credit.

d. Income Test

Of the applications that have been processed to date, about half of the approved applicants have incomes that are greater than the cutoff for the State credit. These applicants, therefore, do not qualify for a State Homeowners Tax Credit, but do receive a County senior tax credit. The income test for the County credit is a multiplier (5 times) of federal poverty level income for a family of two. That provision allows the income test to rise with inflation and, therefore, it needs no further adjustment at this time.

e. Asset Test

The majority of the approved applicants to date have assets below the County credit's \$500,000 limit -- over 81% of approved applicants to date have assets under \$300,000. Therefore, modest changes to this test are unlikely to have any significant effect.

f. Size of Credit, Progressivity

A larger or progressive credit would seem to benefit the poor the most; but, this effect is likely to be minimized as long as applicants are required to seek the State Homeowners Tax Credit first. The State credit is based on a formula that provides the largest credits to the poorest taxpayers.

g. Communication to Applicants

Some applicants have indicated that letters from the Department of Finance on the status of applications are confusing. Many more have complained because, in some cases, months have passed with no communication. Particularly confusing was the letter sent to applicants who had a State credit so large that an additional County credit was not allowed. The Task Force urges improving communications with applicants regarding initial receipt and status of their applications.

h. Outreach Efforts

The Task Force is impressed by the efforts of the Department of Finance to notify property owners that certain credits exist. The Department sent post cards to every property owner in the County. The Task Force wonders whether a more targeted effort would have been possible, and whether the County could get help from the State Comptroller in identifying and notifying those who should apply.

The Task Force also appreciates the efforts by the Office on Aging to hold seminars at senior centers.

The Task Force has had no feedback from the entities named in Council Resolution 22-2007 (tax-preparers) to suggest that any efforts were made to publicize the credit and must assume that this avenue of outreach was not implemented.

In the future, the County may wish to also offer information where there often are populations of seniors, e.g., places of worship, ethnic organizations, and senior organizations.

In sum, the Task Force is uncertain whether all of those who are likely to qualify have been effectively informed.

i. Timing

It should be noted that for this tax year, applications were not available until late May 2007. The Department of Finance reports that, if no changes are made to the current qualifications, applications for the next tax year would be available early in 2008. Having applications available earlier will allow for a smoother process with greater penetration into the target population. Finance also notes that everyone's first year's experience with the process will make the second year application process seem much simpler.

j. Final Recommendation

In view of the incomplete data and ongoing processes, the Task Force suggests that the County Council retain for now the current qualifications for the senior property tax credit ordinance without change. The Task Force further recommends that the Council extend the Task Force so that it can report to the Council after studying the final results for this year and analyzing next tax year's first-quarter results in the fall of 2008.

9. Thanks

Thanks must be given each and every member of the Task Force for their diligence, hard work, and very thoughtful participation.

We would like to also thank Jeff Bronow, Department of Planning and Zoning, for demographic information, Lynn Robeson, Office of Law, for legal guidance, Leo Oken, Auditor's Office, for help with analysis, Diana Coll, County Council staff, for efficient and thoughtful administrative support, Linda Watts, Bureau of Revenue, for patiently implementing the new credit and reporting on its progress, from the Office

on Aging, - Pam Bilal, Shelley Garten, and the managers of the senior centers for their cheerful cooperation, and Terri Hansen from the Department of Citizen Services for her on-going support.

In particular, the chair would like to thank, Jeff Meyers, County Council staff, for doing everything very well. His skill, attention to detail, advice, and constant availability have been an incredible asset to the Task Force.

Minority View - Don Dunn

1. Perspective:

I am a member of the sixteen people task force. I am the only member on the task force who applied for the Senior Tax Credit. My personal experience has resulted in a different conclusion concerning the need for immediate change to the existing law.

2. Simplification:

The Final Report on page 15 correctly describes the need for simplification. However, no corrective recommendations were made. I received from the county 19 pages of a tyranny of forms, schedules, instructions, and exemptions. There was nothing user friendly about the process.

I correctly completed the proper paperwork. However, I had to become personally involved when I received my tax bill. The result was, three corrected versions of my real estate tax bill with a range of \$4,103 to \$2164. I am not blaming the Department of Finance (they were actually very helpful). I blame the complexity of the process we created. I wonder, how many unknown errors have been made for others?

One in seven Americans older than 70 suffer from some degree of dementia according to the University Institute for Social Research and Duke University Medical Center. They also stated that for every year increase in age there is some form of cognitive impairment.

There is sufficient data (see page 6 and 9 of Final Report) that between 40 - 55% of seniors responded. Either the seniors may have been discouraged from filing or they did not meet the requirements. Corrective recommendations will be made at the end of this report.

3. County finance:

(See page 10 of Final Report) Senior tax credits will not exceed \$459,000. (See page 6 of Final Report) County staff had originally estimated between 1.5 and 2 million dollars. This indicates either poor forecasting or something is wrong with the process. (See correction recommended at the end of this report.)

4. Asset Test:

Over 81% of approved applicants have assets under \$300,000 (See page 17 of Final Report). What is not included in the final report is that 66% of the eligible seniors have assets \$200,000 or less. In fact, over 50% of this group have less than \$50,000 in assets. This would indicate that the asset test is of little consequence and could be eliminated in the interest of simplification.

5. Relationship with State Credit:

Coupling the senior tax credit has led to considerable delays. Additionally, for the poorest applicants, the state credit exceeds a 25% discount and they receive no county credit (See page 16 of Final Report). The state credit is intended for low income home owners of all ages. It is simply wrong that county seniors be eliminated from county credit because of a state credit intended for all citizens regardless of age.

The task force finds that insufficient data exists to make any changes (See page 1 of the Final Report). In this case the consequences for seniors are indisputable and demand

immediate correction. To allow this injustice to continue and be subject to review in the Fall of 2008 is unjust. (See page 19 of Final Report).

6. Recommendations, suggested improvements:

(I). Under SEC. 20.129 HOWARD COUNTY CODE, delete SEC (2) and delete SEC (3). This has the effect of uncoupling the connection of state credit with county credit. This action will result in the following improvements;

(A) Correct the wrong that occurs when deducting the state credit from any county senior tax credit.

(B) Removes the Department of Finance from the critical path of being dependent on the state for processing County tax bills for senior tax credit.

(C) Solves simplification problems.

(D) Reduce potential for error in calculating tax bill.

(E) Restore dignity and stability for senior family and providing a degree of freedom from economic fear of yearly increases in property tax.

(II) Eliminate asset test:

This action will result in the following improvements;

(A) Aid to simplification.

(B) Eliminate a document which the Department of Finance cannot verify.

(C) Some assets have no liquidity and thus are not available for tax payments.

(III) Create a new eclectic group to examine fairness and exemptions to present county property tax law:

(A) There are many exemptions to present county property tax laws that should be reviewed in view of present conditions.

7. Summary:

I believe that sufficient data does exist at this time to warrant the suggested improvements described above. The weakness of the process will remain and each year new applicants will request the same assistance (See page 11, 13, and 17 of Final Report). The senior property tax credit should be simple and self explanatory.

Don Dunn

11/4/07

Mine is a lengthy report as cursory observation makes clear. To perhaps save the time of some who might become exposed to it, I suggest that those who cannot honestly answer “yes” to two questions not devote any time to reviewing my recommendations and comments. Your time would be better spent returning to your comic books, although, if you are a resident and/or employee in Howard County, you might do well to give a few minutes also to thanking The Almighty that you are currently gainfully employed. The questions are:

1. Do you remember from elementary school math that \$60,000 is twice \$30,000?
2. Do you think that legislation enacted by Howard County government to provide a property tax credit FROM HOWARD COUNTY REVENTJE to certain “low income” Howard County taxpayers should be calculated in such a way that those Howard County property owners with the lowest annual gross household income would derive the largest financial benefit from this expenditure of HOWARD COUNTY FUNDS, regardless of the amount of property tax credit for which they might qualify from the State of Maryland?

I'll continue now that I hope we've separated the dullards from the field.

ORIGIN OF THE ISSUE

The Senior Property Tax Credit is a classic demonstration of what can happen when the subject of a bill or resolution originally introduced strictly for partisan political purposes just before an election is later enacted in modified form without intelligent analysis of its fiscal impact, its basic fairness to taxpayers of whatever age, and, MOST IMPORTANT, whether it is implemented in a form consistent with its supposed basic intent. Bad rapidly becomes worse. NOW THE FAT IS IN THE FIRE, AND THE RESULTING STENCH IS OVERPOWERING. So let's inject some needed realism and equity to the discussion before the County expends more taxpayer money irresponsibly.

Why are changes recommended and what needs changing?

The Task Force voted on 11 / 1 to submit a report that recommended continuation of the Senior Property Tax Credit without changes to the manner in which the amount of any such credit would be computed. (I will address later in this report why I consider this vote would have been ruled out of order had there been a parliamentarian) One of the premises underlying this argument is that it's too early to assess whether changes are justified. That argument simply doesn't hold water. When a tax credit supposedly designed to help low income seniors yields nothing for those with the lowest income and gives those with twice or three times that lowest income a windfall credit of \$500 or more, in my opinion as a taxpayer that method of calculation and eligibility needs prompt correction so that no more of my tax dollars are frittered away to undeserving folks while others are shortchanged or given no credit whatever.

My approach to this report is guided by the wisdom from several brilliant men. Einstein defined a fool as a person who repeats the same experiment without change and expects different results. He also said: “Only two things are infinite, the universe and human stupidity, and I’m not sure about the former.” The Task Force majority report is to me the epitome of a document sired by stupidity and born of stubborn resistance to logic. I hold out hope for change given Churchill’s remark: “You can always count on Americans to do the right thing after they’ve tried everything else.” I don’t, however, think it necessary to continue with a bad process or try EVERYTHING ELSE before recommending changes, the need for which is glaringly apparent. Finally, aware of Ralph Waldo Emerson’s comment: “I hate quotations. Tell me what you know.”, from here on out I’ll concentrate on things that I know.

Senior taxpayer concerns about the use of property tax dollars

A large number of senior taxpayers are very upset that 59.3 % of their property tax dollars are shown on their tax bill as going to education costs. They have argued before the Task Force that using these numbers three cents out of every nickel of their property tax for this purpose provides them no benefit since their children are out of school and many have no grandchildren in Howard County schools. The Task Force did not have great success in arguing the obvious, i.e., that all taxpayers must contribute to education costs. A large number of senior taxpayers both at hearings and in personal conversations with Task Force members expressed particular resentment against costs of education that are fairly recent, e.g., ESOL courses for the children of newly arrived Howard County families. I have no recommendation for how to address this matter, but the Council may want to discuss this issue with the School Board. I believe that it needs consideration because there seems to be a smoldering attitude as expressed to me by two parties that “the kids of illegal immigrants are driving up my taxes”. Howard County doesn’t need the anti-immigrant problems now besetting Frederick County or other counties in Virginia.

MY RECOMMENDATION FOR CALCULATING ANY SENIOR PROPERTY TAX CREDIT

My recommendation may sound policy-wonkish, but it would result in fairness to all Howard County taxpayers regardless of age, some of whom are of low income and experiencing the same difficulty in meeting their property taxes. In practice, with some receiving larger credit or even receiving a Howard County credit for the first time while others of higher income would receive less, the result would be budget-neutral and likely easier to administer. It may also have the effect of reducing the number of applications from those with incomes nearer the higher end of those eligible for a credit.

Suggested calculation of the credit

Eliminate Howard County property taxes on the residence of age 70+ homeowners whose

household income is \$30,000 or less for the year and whose assets are within the cap in the legislation.

Eliminate Howard County property taxes for age70+ homeowner(s) on the residence where three or more persons age 70 or older live where the combined annual gross household income of these parties does not exceed \$45,000 and whose combined total assets do not exceed the cap in the legislation.

Increase the maximum Howard County senior property tax credit from 25% to 30% of the tax otherwise due after ALL property tax credits granted by the State of Maryland have been deducted, but introduce progressivity and equity to the calculation by adopting this proposed schedule:

If the annual gross household income exceeds \$30,000 for one or two age70+ residents: set the Howard County Senior Tax Credit according to a scale whereby the maximum tax credit of \$30,000 is reduced by 1% for every \$3,000 or fraction thereof of income between \$30,001 and \$45,000. EXAMPLE: If the gross income is \$36,000, the maximum Howard County senior property tax credit would be 28% of the property taxes due after all other property tax credits from Maryland have been deducted.

If the annual gross household income exceeds \$45,000, reduce the maximum Howard County credit by 1% for every \$1,000 or fraction thereof by which the income level exceeds \$45,000. EXAMPLE: If gross income is \$50,000, the maximum credit would be 20% of the Howard County tax due after State of Maryland property tax credits have been deducted; if gross income is \$60,000, the Howard County maximum credit would be reduced to 10%, etc. Under this scale, no Howard County Senior Property Tax Credit could be accorded if the annual gross household income was \$70,001 or more.

REQUIREMENT OF NUMBER OF YEARS RESIDENT IN HOWARD COUNTY?

There have been mixed signals on whether Howard County can or should impose some requirement that the aged property owner have owned and resided in the home for a minimum number of years. My understanding is that the Office of Legal Affairs has advised that such a requirement would not withstand legal challenge. I note, however, that the Anne Arundel County tax credit law has such a requirement and that the State tax credit provides for a set period of residence in Maryland. It might be well to resolve this point so that the interested public is fully informed before any continuation of the credit in Howard County. Long-time Howard County property owners and taxpayers expressed concern that an elderly person who has just come to the County and purchased a home might be eligible for a tax break for which those who have spent their working career as Howard County residents may not qualify.

RESPONSIBILITY AS ORGANIZATIONAL REPRESENTATIVE

I represent the Association of Community Services (ACS) on the Task Force. ACS is, of course, hopeful that the Senior Property Tax Credit can be implemented in a manner that provides real assistance FROM HOWARD COUNTY FUNDS to the lowest income senior property owners without prejudice to the rights of other Howard Countians of whatever age. Unfortunately it is clear from information available to date that the current method for deciding eligibility has not yielded that result. Therefore, there is no logical reason for extending the credit into another year using the same seriously flawed methodology for computing the credit. The obvious alternatives are:

1. Devise a fairer method for calculating any credit that might be allowed before extending it into a second year.
2. If alternative 1 cannot be promptly achieved by December 31, 2007, suspend the credit for the next taxable year. If alternative 1 cannot be achieved by April 30, 2008, initiate legislation to terminate the Senior Property Tax Credit.

Based on estimates provided by Howard County staff, it is considered likely that the total credits authorized for the first year will exceed \$500,000. ACS and its member organizations have been alerted to the probability that, given the State's budget problems, Howard County is likely to receive a significant reduction in its share of State funding. This in turn may well mean sharp decreases in the amount that can be made available from the County budget for essential community services. Therefore, before any extension of the credit is authorized, this half million \$\$ might be much better spent trying to ensure continuation of such services to all Howard County residents rather than lining the pockets of a relative few.

Another possibility for the use of this money is to help fund the beginning of the Healthy Howard program, which will assist in ensuring access to much needed better health care for many in the county.

MY PERSONAL CONCERN WITH THE CONDUCT OF A TASK FORCE MEETING

At the October 25, 2007 meeting of the Task Force, the members in attendance were presented with a proposed draft final report recommending among other points that this report be accepted. It called for continuing the tax credit without change into a second year. I had never seen this proposed document previously. I do not know whether it had been reviewed by any other Task Force member, but I suggest that the Council may wish to ask each of them, including Chairman Meyerson, whether they had seen or approved it before the 10/25 meeting. When Mr. Meyerson called for a vote to send the Council a report recommending no changes to the legislation, the vote was 5-4 against doing so, much to Mr. Meyerson's obvious chagrin. He then announced another meeting for the Task Force would be held on 11/1. I and some others thought that the 11/1 meeting was, AS ANNOUNCED ON 10/25, only to discuss what changes to the legislation might be considered, not whether they should be considered.

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On 10/26 I received under the caption" RSVP- SENIOR TAX CREDIT TAS FORCE" the following Email message to: The Task Force Members.

The Chairman has requested a response on whether or not you will be attending the Task Force meeting on November 1, 2007 at 2pm in the Ellicott Room.

Please respond as soon as possible by reply mail or phone to me.

Thanks for your assistance.

The Email was sent by Diana Coll , secretary to Calvin Ball, Council Chair

I found it interesting that Chairman Meyerson had not previously demonstrated interest in knowing beforehand who would be attending. I cancelled plans to attend and testify before a joint hearing in the afternoon of 11/1 in Annapolis of the Senate Budget and Taxation Committee and the House Ways and Means Committee, which included consideration of legislation to increase the amount of the special income tax exemption for Maryland seniors. I did so only because it was my understanding that recommendations to change the report to the Council to include suggested alternatives to computing the tax credit would be given due consideration at the 11/1 Task force meeting.. This did not occur, and the chairman proceeded to accept a motion to reverse the 10/25 vote and send on a report to the Council recommending that there be no change to the legislation. There was agreement that a minority report could be prepared by those who think otherwise.

I DO NOT ENJOY BEING SUCKERPUNCHED.

It is my contention that, had there been a parliamentarian at the 11/1 meeting, the motion to send in the proposed draft unchanged would have been ruled out of order. It amounted to a request for reconsideration of the vote of 10/25, and there had been no written notice to ALL Task Force members that such a matter would be included on the agenda of 11/1. Therefore, I make a personal recommendation that, if the Task Force is continued in any form, that a parliamentarian be appointed to assist discussion of any topics that may come before it. All persons who are volunteering their time to participate in public matters on a committee , task force, or other deliberative group should not have their opinions and attempts at objectivity stifled by a chairperson with a clear personal agenda.

I have spent over 50 years as a participant in, and sometimes chair of, various committees brought together to recommend policy, funding, legislative, regulatory and process changes to several organizations, institutions, and public agencies, including Common Cause, Dartmouth College, the Maryland Consumer Rights Coalition, and the Health Care Financing Administration , the latter now known as the Centers for Medicare and Medicaid Services.

Page 6 - Minority Report - Frank Chase

My experience with the Senior Tax Credit Task Force represents the first time in those 50 years that I have been ashamed to be part of a group making a report to an officially elected body, but particularly one of a type that could influence the commitment of public funds.

Thank you for the opportunity to have my thoughts as a Senior Tax Credit Task Force member finally given a fair hearing.

<signed>
Frank Chase