

2020 Senior Tax Credit FAQ's

Q. Why do I have to apply for the Homeowners' Tax Credit?

A. By law, applicants for the Senior Tax Credit are required to apply for all other credits that may be available for that property.

Q. What if I know I don't qualify for the State Homeowners' Credit since my assessment and taxes are so low, do I still have to apply?

A. Yes, we are not set up to do the state computation. As long as you meet the 2 minimum requirements (combined gross income does not exceed \$45,000 and net worth does not exceed \$200,000), you must apply for the Homeowners' credit.

Q. Can I get an estimated tax credit at this time?

A. No, all other credits need to be computed before the senior tax credit is calculated.

Q. Do I have to live in the house 6 months prior to July 1, of the current tax year?

A.

- (1) Homeowner: An individual must reside in the home on July 1st of the taxable year in which the credit is to be allowed AND must actually occupy or expect to occupy the home for more than 6 months of a 12-month period including July 1st of the taxable year in which they are receiving the credit;
- (2) Home Purchaser: An individual may purchase *during* a taxable year and apply for the credit for the same taxable year. They are not required to live in the dwelling as of July 1 of the taxable year in which they apply but they must actually occupy or expect to occupy the home for the balance of the fiscal year. If someone purchases a house in August 2020 and wants the credit for the 2020 tax year, they must expect to actually occupy the dwelling for the full amount (and not just 6 months) of time until June 30, 2021.

Q. If I am over 65 but my spouse is not yet 65 years of age, can I still apply for the Senior Tax Credit?

A. Yes, as long as one of the owners is at least 65 years of age by June 30, of the current tax year, you can apply.

Q. I own several properties in Howard County. Can I get the Senior Tax credit on all of them?

A. No, the Senior Tax Credit is only available for residential real property that is used as the principal residence.

Q. Can I apply for the Senior Tax Credit and the Aging in Place Credit?

A. No, you can only apply for one **OR** the other.

Q. What's the difference between taxable and non-taxable interest?

A. Non-taxable interest is on Line 2a (Tax-exempt interest). Taxable interest is found on the Federal Income Tax Return, Line 2b.

Q. Are capital gains included in the income limit?

A. Yes

Q. Are capital loss carryovers deducted in computing the income limit?

A. No

Q. Are Schedule C business expenses, including depreciation deducted in computing the Gross income?

A. There is a line for Business Income (Gross). You must use the figure on line 7 of your Schedule C (Gross Income). You cannot deduct a business loss from your total income.

Q. Are gambling losses deducted in computing the income limit?

A. No, you cannot deduct any type of loss.

Q. What do I report for Social Security?

A. Social Security Benefits are shown on your social security benefit statement (SSA-1099), Box 5. They are also on the Federal Income Tax Return, Line 5a.

Q. What do I report for Pensions & Annuities on Section 18 of the application?

A. Pensions and Annuities are found on the Federal Income Tax Return, Line 4c & 4d. (If a rollover, attach a copy of the 1099-R and proof of deposit).

Q. Do I include the non-taxable cost recovery portion of my pension and IRA income in computing the Gross Income limit?

A. Yes, all income (both taxable & non-taxable).

Q. How do I value my government pension for line 19B on the application?

A. If you have a pooled pension where you receive payments but there are no specific "assets" assigned to you it is not reportable on 19B. Only accounts, such as 401Ks or IRAs in your name must be reported.

Q. How do I value my annuity for line 19B on the application?

A. There are two basic types of Annuities - Immediate Annuities and Deferred Annuities:

The purpose of **Immediate Annuities** is to provide for immediate periodic payment for a period of time. That period of time can be fixed OR it can be

variable (generally until death). In this way people can make sure that "their money lasts until they die".

The purpose of Deferred Annuities is to provide for income in the future. In this scenario you make a payment or maybe series of payments into an account which earns something and at some time in the future you are paid a series of payments. This "money" is still legally yours and is an asset.

- 1) Ask if the annuity is immediate or deferred?
- 2) If immediate, then the asset value is Zero.
- 3) If deferred, ask your provider for a quote. It should be the value as of Dec 31 WITHOUT the surrender charge.

Q. If an asset is in 2 names (one is the homeowner, the other someone who does not live in the property), how does the asset count toward the \$500,000 limit.

A. The asset would count towards the net worth of the person whose SSN is on the account for IRS reporting purposes.

Q. Is a reverse mortgage counted as income?

A. No, we do not include this as income because it is looked at similar to a line of credit you might get. The line of credit allows you to get cash whenever needed, but the cash is not income because it has to be paid back on the loan.

Q. If a homeowner is currently in a nursing facility, do they qualify?

A. Yes, as long as SDAT lists the property as the homeowner's principal residence.

Q. If a spouse is sending any portion of their income to pay for nursing home expenses for the other spouse, can this be deducted from the gross income?

A. Yes, with a letter from the nursing facility verifying the amount paid.

Q. If I don't have a copy of my SSA-1099 what do I do?

A. Contact the Social Security Administration at 800-772-1213 to request a replacement SSA-1099 or go to <https://www.ssa.gov/> to order one for immediate mailing.

Q. If I don't have a copy of my Railroad Retirement Verification or Rate Letter, what can I do?

A. Call the RRB Helpline at (877) 772-5772 to request a letter or go to www.rrb.gov to get the info online.

Q. If I don't have a copy of my VA Benefits letter, what can I do?

A. Call VA Benefits office at 800-827-1000 or go to <https://www.benefits.va.gov/benefits/> or <https://www.ebenefits.va.gov/ebenefits/about/feature?feature=va-letters>