Agenda Item 3B
May 18, 2016
Action

MEMORANDUM

May 16, 2016

TO: County Council

FROM: Amanda Mihill, Legislative Attorney AMihill
Jacob Sesker, Senior Legislative Analyst JS

SUBJECT: **Action:** Expedited Bill 10-16, Taxation – Residential Real Property Tax Deferral – Senior Citizens

Government Operations and Fiscal Policy Committee recommendation (3-0): enact Expedited Bill 10-16 as introduced.

Expedited Bill 10-16, Taxation – Residential Real Property Tax Deferral – Senior Citizens, sponsored by Lead Sponsors Vice President Berliner and Councilmembers Katz and Riemer and Co-Sponsors Council President Floreen and Councilmembers Rice, Navarro, Elrich, and Hucker was introduced on April 5, 2016. A public hearing was held on April 26 and a Government Operations and Fiscal Policy Committee worksession was held on May 12.

Bill 10-16 would provide for a residential real property tax deferral for residents at least 65 years old with a gross income of $80,000 or less. The statutory change would modify the County's current property tax deferral program to allow eligible seniors to defer the annual increase in their residential real property taxes at 0% interest.

Public Hearing Testimony

Joe Beach, Finance Director, testified in favor of the legislation on behalf of the County Executive (©12). Mr. Beach stated that the County Executive supports the legislation because "it will provide another option for seniors on a fixed income to remain in the County by alleviating their tax burden."

The Montgomery County Commission on Aging testified in support of the legislation, noting that the Commission supports increased taxes to provide for the needs of County residents, but has previously requested an exception for lower income seniors (©13). Jews United for Justice also testified in favor the legislation (©14). Several individuals also testified in favor of the legislation, and some of that testimony is attached: Elaine Binder's testimony notes that supportive services for housing is one of the critical elements of the Council's adopted "Senior Agenda" and that this legislation is consistent with that policy document (©15); Paul Bessel and Barbara Braswell also testified in favor of the legislation (©16). Mr. Bessel and Ms. Braswell raised an issue for consideration: they suggested that "gross income" should be changed to "taxable income."

Gross Income vs. Taxable Income

During the public hearing, Mr. Bessel recommended that eligibility should be determined on the basis of "taxable income" rather than "gross income" and indicated that he would be amenable to reducing the income threshold to reflect the difference between the two measures of income. He stated that the reason for this proposal is that many seniors have medical expenses that reduce their taxable income.

First, Council staff notes that the current tax deferral program applies to households with gross incomes of less than $120,000. In order to be consistent with the current program, gross income was selected as the best measure of income eligibility for seniors who would like to benefit from the 0% interest deferral. The median income of households with a householder 65 and up is in between $75,000 and $80,000, and "gross income" is the most comprehensive measure of income for which statistics (income by age cohort) are readily available.

Second, Finance notes that taxable income is significantly lower than gross income—Maryland Net Taxable Income is approximately 56% of gross income. Finance notes that some of the deductions and subtractions from gross income have nothing to do with an individual's ability to pay, and further notes that the current cap (which was recommended in order to capture a full 50% of senior headed households[1]) is five times the average annual social security income.

Finally, Finance notes that only 5% of deductions and income modifications between total income/gross income and Maryland Net Taxable Income are attributed to allowable medical expenses.

The Government Operations and Fiscal Policy Committee (3-0) recommended using "gross income" (no change to Expedited Bill 10-16) and recommended approval of Bill 10-16 as introduced.

[1] The $80,000 cap will capture significantly more than 50% of households aged 70 and up. The median income for individuals aged 65 and up is skewed by the growing number of individuals (especially those age 65-70) that continue working.

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Expedited Bill No. 10-16
Concerning: Taxation – Residential Real Property Tax Deferral – Senior Citizens
Revised: 3/10/2016 Draft No. 1
Introduced: April 5, 2016
Expires: October 5, 2017
Enacted:
Executive:
Effective: July 1, 2016
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsors: Vice President Berliner and Councilmembers Katz and Riemer
Co-Sponsors: Council President Floreen and Councilmembers Rice, Navarro, Elrich, and Hucker

AN EXPEDITED ACT to:

(1) provide for a residential real property tax deferral for certain residents; and
(2) generally amend the County taxation law.

By amending
Montgomery County Code
Chapter 52, Taxation
Section 52-18F

Boldface	*Heading or defined term.*
Underlining	*Added to existing law by original bill.*
[Single boldface brackets**]**	*Deleted from existing law by original bill.*
Double underlining	*Added by amendment.*
[[Double boldface brackets**]]**	*Deleted from existing law or the bill by amendment.*
* * *	*Existing law unaffected by bill.*

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. Section 52-18F is amended as follows:

52-18F. Residential real property tax deferral[-General].

(a) *Definitions.* In this Section the following words have the meanings indicated:

Dependent means a dependent under Section 152 of the Internal Revenue Code.

[(1) "Director"] *Director* means the Director of the Department of Finance.

[(2) "Legal interest"] *Legal interest* has the meaning stated in Section 9-104 of the Tax-Property Article of the Maryland Code.

[(3) "Owner"] *Owner* means an individual who has a legal interest in residential real property.

(b) *Authorization; Amount of Deferral.* An owner may defer payment of County property taxes due on residential real property occupied by the owner as the owner's principal residence if the owner meets the requirements of this Section. The amount of taxes that may be deferred for any one year is the amount that County taxes due exceeds the amount of County property taxes paid in the prior taxable year.

(c) *Program Eligibility.* An owner is eligible for a payment deferral under this Section if:

(1) (A) the gross income or combined gross income of all individuals who actually reside in the dwelling (except a dependent [under Section 152 of the Internal Revenue Code] or a person who pays reasonable fixed charges for rent or room and board), did not exceed $120,000 for the calendar year that immediately precedes the taxable year for which the deferral is sought; and

[(2)] (B) the owner, or at least one of the owners, has resided in the dwelling as that person's principal place of residence for 5 consecutive years and continues to occupy the property for that purpose[.]; or

(2) (A) the owner is at least 65 years old; and

(B) the gross income or combined gross income of all individuals who actually reside in the dwelling (except a dependent or a person who pays reasonable fixed charges for rent or room and board), did not exceed $80,000 for the calendar year that immediately precedes the taxable year for which the deferral is sought.

For purposes of income determination under paragraph [(1)] (c), and to the extent consistent with this Section, gross income or combined gross income must be calculated in accordance with Section 9-104 of the Tax-Property Article of the Maryland Code.

* * *

(f) *Interest.*

(1) [Interest] Except as provided in paragraph (2), interest accrues on the deferred taxes at a rate set annually by the Director that does not exceed the prime lending rate generally available on June 1 of the preceding fiscal year. The regulations adopted under subsection (q) must specify the source or sources that the Director must use to calculate the prime rate generally available on June 1 of each year. The annual interest rate set by the Director applies to any tax deferred that year, regardless of the year when the tax was first deferred.

(2) Notwithstanding paragraph (1), for deferrals for owners eligible

under paragraph (c)(2), the interest accrues on the deferred taxes at a rate of 0.0% or another amount set by Council resolution.

* * *

(h) *Limits on Deferrals*. The accumulation of deferred taxes and accrued interest must not exceed [50 percent] 50% of the full cash value of the property, as determined by the Supervisor of Assessments, or a lesser amount elected by the taxpayer and specified in the agreement required under subsection (l). When the maximum amounts have been reached, those amounts may continue to be deferred until any of the events specified in subsection (k) occur. An owner who receives a tax deferral under this Section must not also receive a tax deferral under Section 52-18C.

* * *

Sec. 2. Expedited Effective Date.

The Council declares that this legislation is necessary for the immediate protection of the public interest. This Act takes effect on July 1, 2016.

Approved:

Nancy Floreen, President, County Council — Date

Approved:

Isiah Leggett, County Executive — Date

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council — Date

LEGISLATIVE REQUEST REPORT

Expedited Bill 10-16
Taxation – Residential Real Property Tax Deferral – Senior Citizens

DESCRIPTION:	Expedited Bill 10-16 would provide for a residential real property tax deferral for residents at least 65 years old with a gross income of $80,000.
PROBLEM:	Some individuals desire relief from the burden of increased property taxes.
GOALS AND OBJECTIVES:	To alleviate the tax burden for certain eligible residents.
COORDINATION:	Department of Finance
FISCAL IMPACT:	To be requested.
ECONOMIC IMPACT:	To be requested.
EVALUATION:	To be requested.
EXPERIENCE ELSEWHERE:	To be researched.
SOURCE OF INFORMATION:	Amanda Mihill, 240-777-7815
APPLICATION WITHIN MUNICIPALITIES:	To be researched.
PENALTIES:	N/A

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ROCKVILLE, MARYLAND

MEMORANDUM

May 2, 2016

TO: Nancy Floreen, President, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget
Joseph F. Beach, Director, Department of Finance

SUBJECT: FEIS for Bill 10-16, Taxation - Residential Real Property Tax Deferral - Senior Citizens

Please find attached the fiscal and economic impact statements for the above-referenced legislation.

JAH:fz

cc: Bonnie Kirkland, Assistant Chief Administrative Officer
Lisa Austin, Offices of the County Executive
Joy Nurmi, Special Assistant to the County Executive
Patrick Lacefield, Director, Public Information Office
Joseph F. Beach, Director, Department of Finance
David Platt, Department of Finance
Jane Mukira, Office of Management and Budget
Alex Espinosa, Office of Management and Budget
Naeem Mia, Office of Management and Budget

Fiscal Impact Statement
Expedited Bill 10-16, Taxation – Residential Real Property Tax Deferral – Senior Citizens

1. Legislative Summary: This legislation would provide for a residential real property tax deferral for residents at least 65 years old with a gross income of no more than $80,000. The legislation also amends the County Code to amend the interest accrued to deferred taxes at a rate of 0.0 percent for residents at least 65 years old and with a gross income of up to $80,000.

   A taxpayer may defer payment of County property taxes due on residential real property used as the owner's principal residence. The amount of taxes that may be deferred for any one year is the amount that County taxes ***exceed*** the amount of County taxes in the prior taxable year. That is, only the difference in County property taxes paid is subject to the deferral and not the entire amount of property taxes paid. The amount of deferred taxes cannot exceed 50% of the full cash value of the property.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

   Based on data provided by the State of Maryland, the calculations of the growth rates, and the experience of Howard County with a similar program, Finance estimates that up to 250 taxpayers would each defer between $80 and $90 in property taxes in a year, reducing property tax revenues for that year by between $20,000 and $22,500.

   Sources of information include:
   - Comptroller of Maryland staff,
   - American Community Survey (ACS),
   - Annual Housing Survey (AHS), Census Bureau, and
   - Howard County

Data provided by staff include property taxes paid by County residents for tax years (TY) 2010, 2011, and 2012. The data were extracted from the income tax files and were aggregated to protect disclosure restrictions imposed by the Internal Revenue Service, U.S. Department of the Treasury. Using the data provided by the State of Maryland, the Department of Finance (Finance) estimated the number of taxpayers, total property taxes paid, and average tax paid for TY2015 and TY2016. The method used to estimate data for TY2015 and TY2016 was to apply the annual growth rates calculated from the TY2010 to TY2012 data and apply those rates to the TY2012 data. Finance also contacted Howard County for data on the program similar to Bill 10-16. According to Howard County, there are 10 households who have received the deferral. Based on that experience and comparative household data for Howard and Montgomery Counties from ACS and the ratio of house value to household income from AHS, Finance assumes potentially 250 households may receive the deferral. This increased workload could be managed within existing resources.

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

   Revenues deferred will be approximately $20,000 to $22,500 per year and $120,000 to $150,000 over six years. Finance believes that while this will increase workload related to processing applications and responding to related MC311 service requests that they can manage the increased workload within existing resources with the projected number of participants.

4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

   Not applicable.

5. An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.

   Not applicable, unless participation is very large (over 500). If it becomes a very large program changes to the County's Tax Assessment System and MUNIS billing system may be needed to expedite the changes and track participation and reporting.

6. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

   Not applicable.

7. An estimate of the staff time needed to implement the bill.

   Original implementation can be handled with existing resources.

8. An explanation of how the addition of new staff responsibilities would affect other duties.

   Unless participation is very large (over 500) customer service should not be adversely affected. Below this level there will be an impact of managing MC311 service requests as well as the Treasury Customer Service Unit for responding to questions, providing applications, tax refunds, and walk in customers.

9. An estimate of costs when an additional appropriation is needed.

   Not applicable, unless participation is very large (over 500) in which case additional resources for system changes and additional staff may be required. The Division of Treasury estimates that a program that has over 500 participants will require 50% of the time of one clerical staffer (approximately $30,000 per year).

10. A description of any variable that could affect revenue and cost estimates.

The variables that could affect the fiscal impact estimates are the estimated number of taxpayers who would receive the deferral and the total property taxes paid in FY17 for eligible households with incomes at or below $80,000.

11. Ranges of revenue or expenditures that are uncertain or difficult to project.

    See #2 above. Finance estimates that up to 250 taxpayers would each defer between $80 and $90 in property taxes in a year, reducing property tax revenues for that year by between $20,000 and $22,500.

12. If a bill is likely to have no fiscal impact, why that is the case.

    Not applicable.

13. Other fiscal impacts or comments.

    Not applicable

14. The following contributed to and concurred with this analysis: David Platt, Finance, Michael Coveyou, Finance.

JAHughes
Jennifer A. Hughes, Director
Office of Management and Budget

4/28/16
Date

Economic Impact Statement
Bill 10-16, Taxation – Residential Real Property Tax Deferral – Senior Citizens

Background:

This legislation would provide for a residential real property tax deferral for residents at least 65 years old with a gross income of no more than $80,000. The legislation also amends the County Code to amend the interest accrued to deferred taxes at a rate of 0.0 percent for residents at least 65 years old and with a gross income of up to $80,000.

A taxpayer may defer payment of County property taxes due on residential real property used as the owner's principal residence. The amount of taxes that may be deferred for any one year is the amount that County taxes ***exceed*** the amount of County taxes in the prior taxable year. That is, only the difference in County property taxes paid is subject to the deferral and not the entire amount of property taxes paid. The amount of deferred taxes cannot exceed 50% of the full cash value of the property.

1. The sources of information, assumptions, and methodologies used.

Sources of information include:

- Comptroller of Maryland staff,
- American Community Survey (ACS),
- Annual Housing Survey (AHS), Census Bureau, and
- Howard County

Data provided by staff include property taxes paid by County residents for tax years (TY) 2010, 2011, and 2012. The data were extracted from the income tax files and were aggregated to protect disclosure restrictions imposed by the Internal Revenue Service, U.S. Department of the Treasury. Using the data provided by the State of Maryland, the Department of Finance (Finance) estimated the number of taxpayers, total property taxes paid, and average tax paid for TY2015 and TY2016. The method used to estimate data for TY2015 and TY2016 was to apply the annual growth rates calculated from the TY2010 to TY2012 data and apply those rates to the TY2012 data. Finance also contacted Howard County for data on the program similar to Bill 10-16. According to Howard County, there are 10 households who have received the deferral. Based on that experience and comparative household data for Howard and Montgomery Counties from ACS and the ratio of house value to household income from AHS, Finance assumes potentially 250 households may receive the deferral.

2. A description of any variable that could affect the economic impact estimates.

The variables that could affect the economic impact estimates are the estimated number of taxpayers who would receive the deferral and the total property taxes paid in FY16 and FY17 for eligible households with incomes at or below $80,000.

Economic Impact Statement
Bill 10-16, Taxation – Residential Real Property Tax Deferral – Senior Citizens

3. **The Bill's positive or negative effect, if any on employment, spending, savings, investment, incomes, and property values in the County.**

   Based on data provided by the State of Maryland, the calculations of the growth rates, and the experience of Howard County with a similar program, Finance estimates that each taxpayer would defer between $80 and $90 in property taxes. This estimate suggests that Bill 10-16 would have no significant impact on employment, spending, savings, and incomes in the County.

4. **If a Bill is likely to have no economic impact, why is that the case?**

   Bill 10-16 would have no significant economic impact. Please see paragraph #3.

5. **The following contributed to or concurred with this analysis**: David Platt, Mike Coveyou, and Robert Hagedoorn, Finance.

Joseph F. Beach, Director
Department of Finance

5/1/16
Date

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TESTIMONY ON BEHALF OF COUNTY EXECUTIVE ISIAH LEGGETT ON EXPEDITED BILL 10-16, TAXATION – RESIDENTIAL REAL PROPERTY TAX DEFERRAL – SENIOR CITIZENS

April 26, 2016

Good afternoon, my name is Joseph Beach, Director of the County Department of Finance, and I am here on behalf of County Executive Isiah Leggett to testify in support of Expedited Bill 10-16, Taxation – Residential Real Property Tax Deferral – Senior Citizens.

The County Executive supports this legislation because it will provide another option for seniors on a fixed income to remain in the County by alleviating their tax burden. The County currently has several programs to assist Seniors, the disabled and other residents of limited means to remain in the County and provide tax relief. In addition to the Homeowners Property Tax Credit, the County also has the Supplemental Homeowners Property Tax Credit, the Senior Property Tax Credit, Renters Property Tax Relief, and Design for Life tax credit for livable and visit-able residential improvements.

We want to work with the Council and other stakeholders on implementation issues related to the program including application process, eligibility for home equity and other housing financing opportunities, as well as more effective promotion of this and other tax relief programs for eligible home owners.

We urge the Council to support this expedited legislation. Thank you for permitting me the time to address the County Council on this important matter.

Charles Kauffman, Esq.
Montgomery County Commission on Aging
401 Hungerford Drive
Rockville MD 20850
302 467 9336

April 26th 2016

Montgomery County Council
100 Maryland Avenue
Rockville MD 20850

Councilmembers:

Good Afternoon, my name is Charles Kauffman and I am appearing in behalf of the Montgomery County Commission on Aging in support of Council Bill 10-16.

This bill allows senior citizens with income below $80,000 to defer increases in real estate taxation. This is an improvement over the existing legislation that deals with real estate tax deferral. It directly targets seniors who often are house rich but income poor. It allows the deferrals to accumulate without interest charges, but recoups the money owed at the time of sale of the property. This bill is estimated to provide this option of deferring tax increases to approximately half of the senior households in the County.

Many senior citizens have bought their homes many years ago at prices far below today's market price. While their income often increased while working, many today are on fixed income and are burdened by the increasing tax rate and property reevaluation. This bill allows these citizens to opt to defer their increased tax burden until the house is sold. At that point the county recoups the money owed.

This legislation will allow many seniors to age in their homes and not be forced out by ever increasing taxes. Similar legislation provides this safeguard to our neighbors in Howard County and Washington, DC as well as elsewhere.

While the Commission on Aging supports increased taxes to provide for the needs of our citizens, it had requested in its testimony before the Council that an exception be made for lower income seniors.

We believe that this bill is an important step in meeting the needs of lower-income senior citizen home-owners.

Respectfully submitted,

CHARLES KAUFFMAN

3

JEWS UNITED FOR JUSTICE

Hollande Levinson
Jews United for Justice
110 Ridgepoint Place
Gaithersburg, MD 20878
404-823-2404

Testimony for Jews United for Justice in Support of Expedited Bill 1016

Thank you so much for your time. My name is Holli Levinson, and I am the Director of Organizing for Jews United for Justice. JUFJ is a volunteer driven organization that leads Jews from Montgomery County, as well as in DC and Baltimore, to act on our shared Jewish values through grassroots civic engagement.

I am here to testify in support of Expedited Bill 10-16, providing residential property tax deferral for senior citizens.

Jewish tradition teaches us to honor and care for our elders as a sacred obligation. Perhaps the most basic and prevailing direction we follow is taken from the Holiness Code of Leviticus – Leviticus 19:32 – which instructs, "You shall rise before the aged and show deference to the old..." The implications of this law are clear: we are called on to demonstrate respect for our elders and their life experiences – and by extension we should work to keep them central in our communities so that they, and we, all thrive.

As you know, JUFJ has testified in favor of a property tax increase, as the only tool the county has to truly raise the revenue we need to address growing poverty and inequality in our community.

At the same time, we do not take lightly the impact of a regressive tax on specific members of our community— who are often the same people we most want to protect by increasing services. If we say the budget is a moral document, we have to address these issues as well. We know that many seniors on fixed and retirement incomes in our county often face challenges paying their property taxes, which are high in proportion to their incomes. They often bought their homes long ago and now the values have skyrocketed.

We also know the senior population is growing, and we want seniors to have the best opportunity to "age in place." I want that for my own parents, and I want it for my neighbors in our county.

By carving out the senior eligibility qualifications, so that this programis better utilized, this bill would provide property tax relief to seniors of limited income and enhance their ability to age in place and stay in their homes, and we therefore strongly support this legislation.

As Rabbi Reuven Balka writes, "Respect, veneration, admiration - these are the basic parameters within which we approach aging, the aged, and the treatment of the elderly. The rest is commentary."

I want to thank lead Sponsors Vice President Berliner, Councilmember Katz and Councilmember Riemer, as well as Co-Sponsor, Council President Floreen for being proactive in addressing this issue.

Testimony on behalf of Expedited Bill 10-16, Taxation – Residential Real Property Tax Deferral – Senior Citizens

April 26, 2016

My name is Elaine Binder, and I am a former chair of the Montgomery County Commission on Aging. Thank you for the opportunity to speak on behalf of this Bill.

I would like to set the stage for my testimony by giving you some factual information about seniors in the County. Currently, 130,266 persons 65 years and older, approximately 13 % of the total population, reside in Montgomery County. This number is projected to grow incrementally over the next 25 years to 243,940 by 2040, which then will be about 20 % of the population. 78% of seniors in the County currently own the home they live in, and 50 % of seniors have a household income that is less than $75,000.

To demonstrate the County's commitment to older adults, the County Council adopted in 2012 the ***Senior Agenda***, which states positively and affirmatively that we are a "Community for a Lifetime," a place where older adults can live safe, healthy and vital lives. Providing supportive services for housing is one of the critical elements of the ***Senior Agenda***.

In keeping with the County's commitment to seniors and extrapolating from the data described above, we can see the importance of providing significant financial relief for the many seniors who want to age in place – who want to remain in their homes for as long as possible.

While the current property tax deferral program can be beneficial, it does not take into consideration the burden that property tax increases would place specifically on seniors who are retired and on fixed incomes. Amending the current property tax deferral program to eliminate the accrual of interest for individuals 65 years or older who have an individual or combined gross income of $80,000 or less until the property is sold would provide significant and needed relief for this population.

When I served on the Commission on Aging, I listened to many older adults describe the financial burdens they faced because of their limited resources. While seniors understand the importance of paying their property taxes, they spoke of finding it extremely difficult to pay increases in the tax on their property given the rising costs of utilities and other services necessary to live in and maintain their property. As a former Commissioner and a concerned citizen, I feel it is important to advocate for those older adults whose voices are not necessarily heard. I am grateful for the fact that so many members of the Council share my concern about the financial plight of seniors in our community.

Approving the Expedited Bill would demonstrate clearly that the County Council understands the needs of seniors on fixed incomes and is implementing an important component of the Senior Agenda.

Before the Montgomery County Council

Expedited Bill 10-16, Tax Deferral - Senior Citizens

Hearing on Tuesday, April 26, 2016, at 1:30pm

Written Testimony of Paul M. Bessel and Barbara Braswell
Support with an Amendment

We are testifying in support of Bill 10-16 with an amendment.

Our names are Paul M. Bessel and Barbara Braswell. We live in Leisure World of Maryland but we are testifying only as individuals, not representing any group.

We support Bill 10-16 because most senior citizens in Montgomery County, and our community of Leisure World, are living on fixed incomes. Contrary to the thoughts of some, the residents of Leisure World are mostly not wealthy people.

Many of our neighbors tell us that they are living exclusively on Social Security retirement payments, which as most people know are small. According to the website of the Social Security Administration, in February 2016 the average monthly retirement benefit for retired workers was $1,344.70 (about $16,000 a year) and for surviving spouses of workers was $693.64 (only about $8,300 per year).[1]At the same time, the monthly payments for those living in Leisure World probably averages about $700 per month, and of course that doesn't include the costs of such things as food, medical expenses, and other necessities. Thus, seniors are in a very difficult financial position and need assistance.

Rising assessments and tax rates squeeze seniors. Those that wish to continue to live in Montgomery County, in communities such as Leisure World, find it very difficult as tax rates go up at the same time as assessments. The do not want to move, and in some cases are in situations where it is impossible for them to move.

Therefore, the bill introduced by Council Vice President Roger Berliner with lead sponsors Council Members Sidney Katz and Hans Riember, and co-sponsors Council President Nancy Floreen, and Council Members Craig Rice, Nancy Navarro, Marc Elrich, and Tom Hucker, is as welcome to seniors in our county as lifesavers are to those in trouble in the ocean.

Amendment sought — The one amendment that we suggest is that the cap for the senior tax deferral should be changed from gross income to taxable income. The reason for this is that taxable income, unlike gross income, recognizes exemptions such as medical expenses. Medical expenses are often the largest category of expenses for seniors so they should be recognized in Bill 10-16 and that can only be done if the figure is taxable income rather than gross income.

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[1] https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/ , checked April 18, 2016.

Sesker, Jacob

Subject: FW: Testimony on Bill 10-16, Tax Deferral for Seniors

From: Hagedoorn, Robert
Sent: Friday, May 06, 2016 5:13 PM
To: Mihill, Amanda <Amanda.Mihill@montgomerycountymd.gov>
Cc: Kirkland, Bonnie <Bonnie.Kirkland@montgomerycountymd.gov>; Foncannon, Scott <Scott.Foncannon@montgomerycountymd.gov>; Beach, Joseph <Joseph.Beach@montgomerycountymd.gov>
Subject: Testimony on Bill 10-16, Tax Deferral for Seniors

Amanda,

I am responding to the question you posed to Joe Beach on using "taxable income" instead of "gross income" as one of the eligibility requirements for senior residents on Bill 10-16. I copied the appropriate Section 9-104 of the Tax Property Article that defines "gross income" below:

http://mgaleg.maryland.gov/webmga/frmStatutesText.aspx?article=gtp&section=9-104&ext=html&session=2016RS&tab=subject5

I also reviewed the latest income tax information as published by the State Comptroller for tax year 2012, with link to that report copied below:

http://finances.marylandtaxes.com/static_files/revenue/statisticsofincome/individual/2012_Personal_SOI.pdf

In my opinion (keep in mind that I am not an accountant or tax expert), the term "gross income" in State Law as noted above appears to be identical to the definition of "total income" (page 22) of that report. Looking at the income categories for all Maryland residents (there is no such specific breakdown at the county level) up to $75,000 (there is no $80,000 cut off), "total income" was $62,365,951,000 in 2012. After taxpayers took out expenses, deductions, they arrived at Federal Adjusted Gross Income (FAGI). They then added additions, but took out significantly higher amount of subtractions, with some modifications, and they arrived at Maryland Adjusted Gross Income (MAGI). After another round of deductions, the taxpayers ended up with Maryland Net Taxable Income (MNTI). For this same category, MNTI was $35,097,746,000 or 56.3% of Total Income. In other words, close to 44% of Total Income is deducted to arrive at MNTI.

Moreover, of all the deductions and income modifications between "Total Income" and "MNTI" (that total $27,268,205,000 in 2012) $1,420,000,000 are attributed to allowable medical expenses as part of the itemized deductions. That represents only 5% all income modifications.

Back to the issues:

- Is "Gross Income" a better measure for this Bill. Generally gross or total income represents an individual's true income and ability to pay. By contrast, "taxable income" which is intended for computing personal income taxes is much lower due to the taxpayer's ability to take advantage of the many provisions in the tax law allowing for deductions and subtractions that may have nothing to do with an individual's ability to pay such as mortgage interest deductions and property taxes (from principal and possibly investment properties).
- Is medical expenses a significant share of deductions? The fact that only 5% of all deductions and income modifications pertain to medical expenses suggests that this is a minor component that should not materially impact the eligibility requirement of this Bill. Moreover, since there is no method to modify the Bill to allow an

income modification only for medical expenses, using MNTI instead of Gross Income provides an unintended benefit to the other 95% of taxpayers with other deductions and income modifications.

- Is the current cap appropriate? The maximum gross income of $80,000 is five times social security income (e.g., the testimony notes an average annual social security income of $16,000) which suggests that this cap should not pose a problem for most individuals living on fixed income.

I hope this information helps and please let me known if you have any questions.
Rob

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From: Mihill, Amanda
Sent: Tuesday, April 26, 2016 3:33 PM
To: Beach, Joseph <Joseph.Beach@montgomerycountymd.gov>
Cc: Sesker, Jacob <Jacob.Sesker@montgomerycountymd.gov>
Subject: FW: Testimony on Bill 10-16, Tax Deferral for Seniors

Hi Joe,

Just to follow up from the hearing, could you please give us your thoughts about using taxable income instead of gross income? And if we use taxable income, I presume that we should change the income limit –any recommendations for that?

Thanks!
Amanda