

**Town of Coventry**

**Citizens Advisory Committee**

**August 1, 2016**

**Property Tax Exemptions for  
Elderly and Disabled Residences**

**Committee Members:**

*Nancy Sullivan*  
*Sandy Lukowicz*  
*Kenneth Jackson*  
*Stephen Bousquet*  
*Dorothy Lynch*

**Participants & Resources:**

*Robert Thibeault, Finance Director*  
*Monique Houle Tax Collector*  
*Pat Picard, Tax Assessor*  
*Pat Shurtleff, DHS*

## Citizens Advisory Committee Assignment

On June 2, 2015 Mr. Hoover presented the committee with a new assignment. The assignment was to look at the current Tax Exemptions to Property Taxes concerning the Senior Tax Freeze, and Disability Tax Freeze.

Mr. Hoover distributed a memo and a report prepared by the Finance Departments which dealt with the Tax Freeze. He handed out a memo dated May 5, 2014 from Bob Thibeault, Finance Director to him and explained it was an internal which was a product of the last Council leadership. The memo was never publicly presented. Mr. Hoover also distributed a single page report which had the breakdown (by year) of taxes lost due to the Tax Freeze.

He further explained that during the preparation of the 2014 - 2015 budgets it was the intent to take a look at the Senior Tax Freeze, Disability Tax Freeze, and the Income Based Exemption. The review did not take place.

Mr. Hoover indicated that he had spoken to the current Town Council concerning this assignment and they knew that he was presenting it to the Committee.

The committee's assignment was to take a look at the whole process and look at its fairness for both the residents and the Town. He stated there are many people that need the Senior Tax Freeze and Disability Exemptions, but you also have millionaires that are getting the tax freeze. He indicated that we should ask ourselves, should it be income based or not.

He recommended utilizing all the knowledge of the Tax Assessor and the Tax Collector as well as the Finance Director who they worked for.

He also felt the public should be involved and he recommended that the committee have a couple of public hearings which would be advertised what the Committee wishes to do.

To: Tom Hoover

From:

BobThibeault Date:

5/5/14 Tom,

As you know, there are three different ways that a senior taxpayer may qualify for a Senior Tax Freeze:

1. Disability Exemption
2. Income Based Exemption
3. Age & Residency Based Exemption

On April 24<sup>th</sup>, you recommended to the Town Council that the Age & Residency Based Exemption should be reviewed and possibly changed to an exemption based on annual income & total assets, as it is believed that there are seniors in our community that can afford to pay their taxes at the current assessed instead of at their frozen rate.

Pat Shurtleff, Pat Picard, and I met on 5/1/14 to discuss how the Town would possibly transition this portion of the Sr. Tax Freeze that is based on age & residency requirements to a system based on annual income & total assets.

You had recommended that those households currently receiving a disability based exemption or an income based exemption should NOT be impacted by this change. In addition to this recommendation, we also discussed the possibility of the program being set up as a deferment program instead of an abatement program.

We agreed that the process needs to be fair and equal; and basing the cut-offs on guidelines that are currently in-use would achieve this goal. Examples of guidelines that could be used include the Federal Poverty Level Guidelines or the Rhode Island Pharmaceutical Assistance for the Elderly guidelines.

In addition to establishing guidelines, information would have to be obtained from those seniors **who wish to apply for the revised** Sr. Tax Freeze program that would now be based on annual income & total assets. Gathering and processing this information will take several months at a minimum.

Furthermore, we recommend that a committee be established to further review the proposal, that a focus group be established to further discuss the issue, and that one or more public hearings be scheduled. Additionally, the Town Solicitor would have to ensure that any changes are consistent

with local and state laws.

Once all of the above recommendations have been met, then the matter would go before the Town Council and through the public hearing process.

In short, the process that we are recommending will take months; therefore I would not expect that your recommendation, if approved, would take effect until FY16.

Please let me know if you have any questions,

Thanks,

Bob

***BREAKDOWN (BY YEAR) OF TAXES LOST DUE TO TAX FREEZE***

<u>TAX YEAR</u>	<u>LOST TAX REVENUES</u>	<u># ELIGIBLE TAXPAYERS</u>	
2001	\$ 112,629.93	1256	
2002	\$ 751,244.23	1898	REVAL YR
2003	\$ 930,736.47	2034	
2004	\$ 1,022,720.70	2111	
2005	\$ 2,074,382.82	2163	REVAL YR
2006	\$ 2,283,302.67	2064	
2007	\$ 2,358,248.52	2184	
2008	\$ 2,361,632.10	2226	REVAL YR
2009	\$ 2,177,996.95	2280	
2010	\$ 2,065,964.16	2337	
2011	\$ 1,229,691.81	2343	REVAL YR
2012	\$ 1,188,045.41	2325	
2013	\$ 1,337,980.45	2289	
2014	\$ 1,103,530.96 Estimate	2348	REVAL YR
<b><i>TOTAL</i></b>	<b><i>\$ 20,998,107.19  </i></b>		

**This report represents a breakdown, by year, of the taxes not collected since the implementation of the tax freeze and expanded income-based exemption for the elderly.**

UPDATED 12/10/2013 Patricia S, Picard, RICA Assessor

Article V. DEFERRALS FOR ELDERLY OR DISABLED PERSONS-§ 217-16. Application for deferral; conditions prerequisite to deferral

[Adopted n-8-1993 by Ord. No. 7-93-0192 (Ch. 16, Art. III, Div. 1, of the 1991 Code)]

**§217-16. Application for Deferral; Conditions Prerequisite to Deferral.**

Citizens of the Town of Coventry ~~age 65 years or older, 100% totally and permanently disabled, or, in the case who own and reside in the dwellings on real estate which are not income producing owners husband and wife, if either is of age 65 years or older, with property holding jointly may, if the combined household adult members'. 18 years and older gross annual household income and assets from all sources of owners of title is \$30,354 or less, may apply annually for deferral of the real estate taxes owed to the Town of Coventry assessed for each year Persons deemed by the Department of Human Services to be a hardship may be eligible to participate in the program. All such deferrals shall be subject to review by the Tax Assessor and approval of the Finance Director and will be granted under the following conditions:~~

- A. The applicant must have been a resident of Coventry and must have owned and occupied the subject property continuously for five years prior to application.
- B. Eligibility income criteria will be adjusted annually based upon cost-of-living allowances as determined by the United States Department of Social Security Administration. Income will be verified by the Department of Human Services Tax Assessor.
- C. The current assessment of the Tax Assessor of the Town of Coventry will be used as a basis for determining the eligibility of the applicant, and no other real estate evaluation will be used.
- D. ~~The applicant must have reached his or her 65th birthday or, in the case of husband and wife one of them, on or before the assessment date of the tax for which application for deferral is made, and must apply during the month of December prior to the assessment date for each year in which a tax deferral is applied for.~~
- E. Deferrals will be considered only on applications for single-family real estate dwellings which are not Income-producing and which are occupied by the applicant as a permanent year-round residence.
- F. The applicant may choose to defer a percentage of the annual tax, not to exceed 75%, at his or her option.
- G. The deferred tax shall become a lien upon the property, and the applicant may remove the lien at any time by paying the amount due in full plus interest. The lien shall be recorded by the Town Clerk and shall continue until discharged by full payment of all deferred taxes and all interest thereon.
- H. Interest on deferred taxes shall accrue at the rate established pertaining to delinquent tax accounts upon termination or the deferral.
- I. Prior to approval applicant shall obtain a sufficient amount of fire insurance as shall be required by the Director of Finance for the protection of the Town's lien; the Town shall be named in said policy of insurance as a lienor, and a certificate of the policy shall be filed with the Director of Finance for each year of deferral.
- J. The applicant must reapply annually for each year's deferment on the dwelling. On an annual basis, the applicant must submit to the Department of Human Services a statement of the total household annual income prior years income as well as household assets all income from all sources of all owners of title as shall be as required by die Director of Finance.

## Citizens Advisory Committee Recommendations

*After reviewing many ordinances, memos and reports the committee would recommend the following changes to the Tax Freeze process.*

➤ **Article V. DEFERRALS FOR ELDERLY OR DISABLED PERSONS**

**§ 217-16. Application for deferral: conditions Prerequisite to deferral**

➤ **Article III: Exemption for Elderly or Disabled Persons (New)**

**K. No corporation or partnership or other form of business title holder shall be eligible for a tax deferment. Title ownership eligibility shall be limited to owners in fee simple, joint tenants, and tenants in common and tenants by the entirety. In the case of joint tenants or tenants in common, other than husband and wife, all such tenants must be 65 years of age or older, 100% totally and permanently disabled or income verified by Department of Human Services and join in the application and the restriction of household adult members\*. 18 years and older gross income and assets being \$30.354 or less as for husband and wife, and shall apply to such groups of tenants.**

**L. Exceptions may be granted by fiancé the Finance and Department of Human Services.**

**M. Sale of property or death terminates the deferral**

## Chapter 217: Taxation

### Article III: Exemption for Elderly or Disabled Persons

[Adopted 11-12-1991 by Ord. No. 9-91-0181 as Ch. 16, Art. II, Div. 2, of the 1991 Code; amended in its entirety 1-82007 by Ord. No. 1-07-253]

#### **§217-4 Exemption Authorized**

The Town Council may exempt from taxation, and/or freeze the rate and valuation, on certain property situated in the Town which is owned and occupied by any eligible person totally disabled or over the age of 65 years. Such eligibility shall be ascertained by the Tax Assessor in accordance with §217-5 and the amount of exemption shall be calculated by the Tax Assessor in accordance with the provisions of §217-8.

#### **§217-5 Eligibility; Termination of Exemption**

[Amended 12-10-2007 by Ord. No. 12-07-264; 11-28-2011 by Ord. No. 01-11-282]

Eligibility of persons or property for an exemption under this article shall be governed by the following:

##### **A. Persons eligible for exemption**

Persons who meet the following qualifications are eligible for tax exemption:

- (1) The applicant must be totally disabled during the entire last completed calendar year, or be 65 years of age or older at the property valuation date.
- (2) The applicant must be the owner-occupant of the real property for which the exemption is intended. For the purpose of this article, a home or trailer on leased land shall be deemed to be real property.
- (3) The applicant must be the owner-occupant of the real property within the Town for a period of five years next prior to the filing of an application for an elderly tax exemption. If the applicant has been totally disabled during the entire last completed calendar year, then such applicant must prove residency in Coventry for the five **continuous** years prior to the total disability application date. Residency, for the purpose of this article, shall mean that the person has been legally domiciled within the Town of Coventry for at least five **continuous** years and must reside within the Town for at least nine months each year. Seasonal or temporary residence shall not constitute residing within the Town.
- (4) **Combine household income and assets not including this dwelling greater than \$100,000.00 are not eligible for the exemption.**

##### **b. Use of property for business purposes**

No business property or combination of business and residential property owned and occupied by any applicant shall be entitled to the exemption in this article. It is the express purpose of this article to confine the exemption to residential property exclusively used as such by the owners thereof. Such residential property shall be limited to a maximum of three family units (i.e., no rental units). The units need not be located within a single building, but must be located on not more than two acres of land as described in Subsection **D** of this section. One of the units must be owner-occupied. Professional persons who operate and conduct their professions in whole or in part from their residence shall not be entitled to the exemption provided for in this article. The practice of a profession from any residence shall be deemed, for the purpose of this article, to cause such residence to be considered a business property.

##### **c. Titles held by more than one person**

If title to the property is held by two or more persons, the terms "owner-occupant" and "applicant" shall refer to all such persons. Each such person must meet the eligibility requirements provided in Subsection A of this section, except in the following cases:

- 1) In the case of property held jointly by a husband and wife, the property, if otherwise entitled to be exempted, shall

not be disallowed upon the grounds that one of the spouses is not 65 years or older.

- 2) An exemption under this article shall not be disallowed if the owner-occupant has only a life estate, if the property is in the name of a parent and one or more of the children owning such property submits an affidavit that title is held in that manner for estate planning purposes.

**D. Property to be included under exemption: alteration or improvement of property**

- 1) The property to be exempted may include the dwelling wherein residency and ownership is claimed, together with the garage and other outbuildings, located on not more than two acres of land, all of which must be contiguous. If the property contains more than two acres of contiguous land, the remainder of the land shall be nonexempt and taxed accordingly.
- 2) The eligibility requirements listed in Subsections A through C of this section pertain to the property considered under this subsection. The exemption shall be terminated if the property is altered as to character and use during the period covered by the exemption.
- 3) Improvements may be made on property so exempted. The change in the percentage of initially computed taxes for the year during which improvements were made shall not be affected. The property value entry in the formula shall be changed at the next following tax billing period.

**E. Termination**

All exemptions shall terminate upon conveyance of the subject property, death of the person exempted, the moving of such person from the Town or the failure to file an annual declaration of eligibility affidavit. [1]

[1] *Former Subsection F, regarding the expiration of the ordinance, which immediately followed this subsection, was repealed 2-11-2013 by Ord. No. 02-13-286.*

**(G) Transferable Exemption**

**An exception can be carried over to a new piece of property being acquired by the person holding the exemption. All qualifications must be met concerning the new property. The exemption amount will be based on the current value of the new property.**

**(H) Any resident who chooses to end their property from the freeze exemption will not be permitted to reapply for a new exemption.**

**§217-6 Proof Required in Application**

Applicants for the tax exemption program authorized by this article shall submit the following as required by this section:

- A. Proof of age. Proof of age may be established by a birth certificate, baptismal certificate, certificate of citizenship, or by any other means normally accepted by the Social Security Administration.
- B. Proof of ownership. Proof of ownership of the property for which the exemption is claimed may be established by confirmation of the Tax Assessor that the property tax on the property has been levied on the applicant continuously for the required period of time.
- C. Proof of residency. Residency, for the purpose of this article, shall mean that the person has resided at the property for at least nine months per annum. Seasonal or temporary residence shall not be sufficient.

**D. Proof of income and assets**

[Amended 12-10-2007 by Ord. Mo. 12-07-264]

- (1) **Only applicants for the income-based tax exemption program need submit proof to the Department of Human Services of all household adult members'. 18 years and older gross income and assets need submit proof of household income in accordance with this section. in accordance with this section.** An affidavit, signed by the applicant and witnessed by two persons and sworn to before a notary public, shall be required and shall state the owner-occupants **total household** income and assets. The affidavit shall go on to list all other income earned by all

other members of the household except as hereinafter provided and shall further state that no other income is brought into the household other than what is listed. All income shall be gross income of the household unless the applicant or the spouse is totally disabled. In such an event, the applicant shall deduct from gross income all medical expenses, including but not limited to hospital, doctor, and medication expenses and the cost of health insurance coverage incurred by the applicant and/or the spouse.

- (2) The income of a caregiver living with the applicant for the care of the applicant and/or the spouse shall not be counted as income of the household. Proof of caregiver status will be verified by the Department of Human Services prior to consideration by the Tax Assessor ~~prior to consideration~~. Proof of caregiver status shall be a medical opinion from a Rhode Island licensed medical doctor who has been treating the applicant or spouse. The medical opinion shall state the need for a live-in caregiver and the medical reason for such a need.
- (3) In all other matters, any supporting documentation as may be required by the Tax Assessor shall be submitted to the Department of Human Services Tax Assessor prior to consideration.

E. Proof of disability

Only applicants for the total disability tax exemption program need submit proof of disability. The applieate Applicant must provide the current years disability award letter from the Social Security Administration shall be submitted to the Department of Human Services along with the application. ~~An affidavit signed by a licensed physician stating the applicant's length of total disability, and probable duration of total disability shall be submitted to the Tax Assessor.~~ An applicant must be totally disabled during the entire last completed calendar year to be eligible for benefits under this section (January through December). Total disability determinations shall mirror the Social Security Administration definition in so far as the owner-occupant must be both unable to work and unable to earn money. Applicant must reverify every 3 years to continue eligibility.

§217-7 Renewals

An annual declaration of eligibility affidavit will be required to be filed with the Tax Assessor by January 31 of the tax year the exemption is being applied for. The Tax Assessor shall, upon review of the affidavit, determine what supporting documentation, if any, must be provided for the renewal application to be processed. The Tax Assessor shall conduct detail audits, on a random basis, of the approved affidavits; the number of such audits shall be determined by the Tax Assessor after conferring with the Town Manager and/or the Finance Director.

§ 217-8 Computation of Tax; Filing of Applications; Approval

[Amended 7-12-1989 by Ord. No. 3-89-0160; 7-17-1989 by Ord. No. 4-89-0161; 7-24-2000 by Ord. No. 4-000219; 1-28-2002 by Ord. No. 1-020228] In implementing this article, the following procedure shall be followed:

A. Reduction of valuation of property. Regardless of the income of those persons eligible for the exemption, the valuation of the property for which exemption is appropriate shall be reduced by \$8,000. Only one such exemption may be applied to a particular property. The exemption of \$8,000 is in addition to any other tax relief which may be applicable under this article.

B. Computation of tax; approval

For the purpose of this subsection, "gross income" shall be deemed to be all household adult members<sup>1</sup>. 18 years and older gross income ~~to be all income~~ brought into the household, including, but not limited to the spouse's income and social security payments, except for totally disabled applicants and their spouse whose income shall be determined as provided in §217-60: [Amended 6-4-2007 by Ord. No. 0407-256; 12-10-2007 by Ord. No. 12-07-264;]

1. Gross income and assets

For the purpose of this subsection, "gross income" shall be deemed to be all household adult members<sup>1</sup>. 18 years and older gross income ~~to be all income~~ brought into the household, ~~including but not limited to the spouse's income and social security payments,~~ "assets" shall be deemed to be all possessions except for vehicles and residence of applicant.

- (a) ~~If the applicant's household gross income does not exceed \$9,713, the maximum tax on the property shall be equal to 4% of that gross income, or the regular amount of tax, whichever is the lowest:~~
- (b) ~~if the applicant's household gross income does not exceed \$10,927, the maximum tax on the property shall be equal to 8% of the gross income above \$9,713 plus \$389, or the regular amount of tax, whichever is fewest;~~
- (c) ~~If the applicant's household gross income does not exceed \$15,177, the maximum tax on the property shall be equal to 12% of the gross income above \$10,927 plus \$486, or the regular amount of tax, whichever is the lowest.~~

(2) **Annual income and Assets**

- (a) Taxpayers having an annual **household** income and assets greater than **\$30,354** and less than or **equal to \$42,496** shall receive an exemption a deferral of 60% of the assessed value.
- (b) Taxpayers having an annual **household** income and assets greater than **\$42,496** and less than or **equal to \$54,636** receive an exemption a deferral of 50% of the assessed value.
- (c) Taxpayers having an annual **household** income and assets greater than **\$54,636** and less than or **equal to \$66,778** shall receive an exemption a deferral of 40% of the assessed value.
- (d) Taxpayers having an annual **household** income & assets greater than **\$66,778** and less than or **equal to \$78,920** shall receive an exemption a deferral of 30% of the assessed value.
- (e) Taxpayers having an annual **household** income and assets greater than **\$78,920** and less than or **equal to \$91,062** shall receive an exemption a deferral of 20% of the assessed value.
- (3) The tax rate and valuation on property owned and occupied by an eligible applicant shall be fixed at both the tax rate and the property valuation, subject to Subsection B (1) and (2) above, applicable to such property for the December 31 assessment date immediately following the date on which such person meets the eligibility requirements of this section.
- (4) Eligibility income parameters contained in Subsection B (1), (2) and (3) above shall be adjusted annually commencing in fiscal year 2017. These adjustments shall be based upon cost-of-living allowances as determined by the United States Department of Social Security Administration. Income will be verified by the Tax Assessor.
- (5) **Income & amount will be based on the yearly distributed Federal Income Guidelines distributed by line identifier Providence-Fall River. RI-MA HMFA (Very Low Income).**

**C. Computation of tax; report to Council**

The Tax Assessor shall compute each percentage of normal tax to be paid and shall have prepared and submitted to the Town Council for approval a list of all properties so exempted, to include the location of the property, the name of the applicant, the initial assessed property value, the reduced property value, the dollar amount of the tax which initially would be paid, the dollar amount of the tax to be paid and the amount saved on each property by the applicant.

- d. Exemptions to be on fiscal year basis.

All exemptions will be on a fiscal year basis in accordance with the current financial management procedures of the Town.

- E. Due date for filing of application. The initial application shall be filed not later than January 31 of each year for the tax bill to be rendered thereafter.
- F. Due date for filing of Tax Assessor's report. The Tax Assessor's statement to the Town Council pursuant to Subsection C of this section shall be prepared and submitted to the Town Manager on or before **May 1st** ~~March 1st~~ of each year.
- G. Verification of report by Town Manager. The Town Manager shall cause the document to be checked for accuracy and shall submit it to the Town Council at its next regular meeting.

- H. Approval by Town Council. The Town Council may disapprove individual cases in the document which appear to be in error, without causing the entire exemption document to be disapproved. If the Town Council does not complete action on the document within 15 days of receipt from the Town Manager, the document shall be deemed approved.
- I. This article shall **not apply to those who taxes frozen date prior to December 31, 2015 but the income portion shall take effect upon passage of this Amendment to the Ordinance and applications may first be made during the month of January each year.** ~~apply to assessments of taxes made on and after December 21, 199, and assessments of taxes made on and after December 31, 1999, applications may first be made during the month of January 2000.~~

#### **§ 217-9 Appeals**

Any person who has applied for relief under the provisions of this article and who has been denied relief or not granted the relief requested of the Assessor may appeal the decision of the Assessor to the Town Manager. The Town Manager shall render a decision upon the matter within 10 working days. Any person who has been denied relief by the Town Manager may further appeal to the Town Council, which, upon granting a private or public hearing upon the matter at the option of the requesting person, shall render a final decision. Such decision shall be voted upon in open session and shall become a permanent record of the Town.

#### **§217-10 Exemptions Obtained Improperly; Payment of Tax and Interest**

In addition to any other action that the Town may deem proper, if any application is found to have contained false information or if it is found that any exemption has been granted where not appropriate due to any action of an applicant, the Tax Assessor shall return the property so affected to its initial tax status. The amount of tax money the applicant has saved through the benefits provided in this article shall be billed to the applicant, together with interest calculated at an annual rate of 12%. The imposition of this penalty shall not bar the applicant from receiving the benefits in the future upon proper application.

#### **§217-11 Motor Vehicle Tax Exemption**

[Added 9-27-1993 by Ord. No. 6-93-0191]

- A. In addition to the exemptions provided elsewhere in this chapter, the Tax Assessor of the Town of Coventry shall exempt from taxation up to 50% of the value of any motor vehicle that has been specifically adapted with a wheelchair lift for use by an individual and that is owned and registered by any person who has sustained a loss or permanent loss of use of both legs or both arms.
- B. This exemption shall apply to not more than one motor vehicle owned and registered for the personal, noncommercial use of such person.
- C. **After the Assessors have allowed an exemption under this section, no further evidence of the existence** of the facts required by this section shall be required in any subsequent year in the city or town in which the exemption has been so allowed.

## **Acknowledgments**

The Committee would like to thank all those who participated and provided the information which helped this Committee to arrive at our Recommended Changes to the Property Tax Exemption for Elderly and Disabled Residents.

