

FACT SHEET TEMPLATE FOR COAs

Adults Age 65+ Can Delay (Defer) Payment of Property Taxes – Apply before Deadline



Deferring Taxes Significantly Increases Cash to Buy Other Necessities

Measured by the size of financial relief, the largest property tax relief program for adults age 65+ is the option of deferring payment of property taxes. A deferral allows adults to use resources that would go to pay taxes for other important living expenses such as health care costs, energy costs, home maintenance, and buying fresh fruits and vegetables. It is a safe and easy way to free up some of your income to pay for other important bills.

A property tax deferral does not eliminate a tax obligation (like an exemption does). Instead, it defers payment until the time when the eligible homeowner no longer owns the home – such as when it's sold, transferred to a trust, or when the owner passes away. At that point, the deferred property taxes, plus interest accrued during the year(s) of deferment, must be repaid to the city or town.

Interest on deferred taxes accrues during the deferral period at an interest rate set by the local town – the highest it may be under state law is 8%; but by “local option”, cities and towns may use a much lower interest rate. Many towns use interest rates around 4%; one town uses an interest rate below 1%!! (Lexington used a 0.12% interest rate in 2015.)

Taxpayers who qualify for a property tax exemption can also defer all or part of the balance of their reduced taxes. **First apply for an exemption and also consider working for the municipality as part of its senior tax work off program, if they have such a program. Then, for the balance of the tax obligation, apply to defer payment of some or the entire real property tax bill.**

It's easy to find out if you qualify and to apply. Visit the local Assessor and learn if you meet the guidelines relating to age (65+), residency, ownership, occupancy, and annual income. If the homeowner qualifies, then the homeowner and the local Assessor sign a 2 page “tax deferral and recovery agreement”. (Anyone else with an ownership interest in the property (e.g. joint owners) must also give written approval.) The Assessor will record the agreement at the local Registry of Deeds. A lien on the property will continue to secure payment of the deferred taxes to the town, whenever the property is sold or conveyed to another party or person.

You must apply for the tax deferral each year with the Assessors in the city or town where your property is located. Call or visit the local Assessor to apply. **Generally, the application is due on December 15, or three months after the actual tax bills are mailed, whichever is later.**

Also, you can defer up to a maximum cumulative total of half the value of your home, which will take decades to reach!!

Also, a lot of equity will still be available to the heirs who inherit the home. Here is an example:

- *Assume a single woman age 75 owns a home in greater Boston assessed at \$400,000 in 2017. And, assume she decides to defer annual property taxes of \$3,000 at an interest rate of 8%, so she can free up that amount to pay for home heating fuel and health care premiums and copayments.*
- *Twenty years later, in 2037, she dies. Her heirs will have to repay \$110,400 in deferred taxes (3,000/year in taxes x 20 years, plus 8% interest),*
- ***The value of the equity in her home will still be substantial.*** *Assuming that the value of her home increased to \$480,000 during the 20 year deferment period, then the heirs would net over \$369,000 in home equity after payment of taxes. If the property value did not increase at all over the 20 years, the heirs would still receive a gift of the home with a net value of \$289,600. (\$400,000 - \$110,400).*

Note of caution: If a homeowner dies with a deferment, then the heirs should be advised to act quickly to arrange to repay the deferred taxes as soon as possible, because the town is allowed to raise the interest rate on the deferred tax bill immediately upon the death of the homeowner. In some towns, that means the interest rate is allowed to double. In others, they the town may apply the maximum interest rate permitted under law after a homeowner passes away, which is presently 16%. (2018)

For further eligibility guidelines, interest rates, and other specific city or town rules, as well as application due dates, check with the Assessor in your local city or town.

The local Assessor is located at: *Insert Office Address*. You may call the Assessor's office at: *Insert phone number and hours*.

This fact sheet is not designed to address all questions or issues. To find out about the specific eligibility and application requirements in your city or town, you must contact your local Board of Assessors. Under state law, only your Board of Assessors, as the local tax administrator, can decide whether you qualify for a deferral. (November 1, 2018)