



Senior Property Tax Relief

Q: Is there a new property tax credit law for seniors?

A: Yes, and it could be worth as much as \$3,260.

Shortly before Thanksgiving, the state legislature passed a law that expands the state income tax credit for elders with high property taxes. Under the revised "circuit-breaker" law, homeowners 65 or over who meet certain income eligibility requirements can apply for a state income tax credit of up to \$840. The qualifying home value has been lifted from \$400,000 to \$600,000.

The "Circuit-Breaker" allows elderly homeowners to get a refundable state tax credit if their local property tax and water/sewer bills exceed more than 10% of their income. Elderly renters can also take advantage of this law if 25% of their annual rent exceeds 10% of their annual income. To figure out how much the state may owe you, get a copy of Schedule CB by calling 1-800-392-6089 and press "1" to wait for an agent. Or, find it on the internet at www.dor.state.ma.us/Forms/IncTax05/PDFs/sch_cb.pdf

Even if you owe no state taxes, you can get up to \$840 back. The form to fill out is called Schedule CB. Ask a family member or friend to help you fill out the forms, because it does take some calculations to figure your credit. A qualifying taxpayer is one whose joint income does not exceed \$60,000, or \$40,000 for a single taxpayer.

The new law also increases the housing threshold every year based on a new "cost of housing adjustment," which will be higher than the cost of inflation, because home values have been rising faster than inflation. By indexing the housing threshold to property value increases, seniors will not be priced out of receiving this credit in future years solely because of the appreciation in the value of their home. Every year the income eligibility and the actual credit amount will go up by an inflation factor, but the qualifying home value will go up even faster.

The law also gives cities and towns the option to lower the 8% rate of interest on deferred property tax bills to as low as 0%. Taxes deferred, plus interest, must eventually be paid, either when the owner dies, or the property is transferred.

But here's the best part: You can claim up to three years credit retroactively by contacting the Department of Revenue. Taxpayers have to fill out an amendment form (known as a CA6), fill out Schedule CB, and file a full state tax form for each year if none was filed at the time. You have until April 15, 2006 to file retroactively for the years 2002, 2003, 2004. That means that from January to April, 2006, you can file for the Circuit-Breaker for 2005, plus the three retroactive years. The credit for 2002 is \$790, for 2003 it's \$810, for 2004 it's \$820, and for 2005 it's \$840. You could receive a check for up to \$3,260. Many professional tax preparers don't know about this credit, so make sure you ask them to calculate your "circuit-breaker" property tax credit.