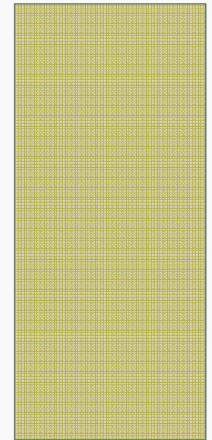


AUSTIN PROPERTY TAX OPTIONS FOR SENIORS



WHAT IS THE PROBLEM?

- Property tax increases impact affordability for Austinites, particularly for those on fixed incomes including many seniors and people with disabilities.
- The City of Austin Mayor's Task Force on Aging report noted that property taxes rose 38% in the Austin area over the past 10 years and cited continued increases in property taxes as one of the challenges to the goal of many seniors to stay in their homes as they age.
- An annual adjustment in the property tax exemption for seniors and people with disabilities could offset the burden of a property tax increase.
- An increase in the property tax exemption will impact general fund revenue and it is reasonable to assume that an estimate of the impact of a \$1000 increase in the exemption can be used to infer increases of other amounts.

IMPLICATIONS OF TRENDS IN DEFERRALS

- Are there seniors 65 and older who have difficulty paying their property taxes in Austin?
- How many elderly homeowners are delinquent in their payments?
- Currently, how much tax revenue is foregone due to the deferment, and how much is that projected to be in the future?
- Is it a significant increase?
- To what extent will the aging of the baby-boom population affect revenue?
- And, preferences to age-in-place?

HOUSING DEMOGRAPHICS

- 75% of Austin seniors live in a home that they own.
- 45% of Austin residents live in a home they own
- 31,816 properties are receiving 65 and older tax exemption.
- 34,000 properties in Austin receive the elderly and disabled tax exemption.
- In 2012, residents 65 and older make up 7.3% of Austin population (61,099); expected to increase to 16% by 2040

Source: McCrady, 2014

COST OF HOMEOWNERSHIP: 2012

- Median Housing value
 - \$222,100
- Average Housing Value
 - \$286,596
- 10.6% of homes are valued at \$500,000 or higher.

COUNCIL MEMBER LAURA MORRISON

- “A bigger tax break is one of the few tools the city has to help some of Austin’s most vulnerable residents.
- There are thousands of seniors in this city that are just getting by,” “In terms of searching for ways to address affordability, this is a demographic with many low-income people...
- I think it makes sense to take advantage of this tool and this option to help with affordability.”

MAYOR AND CITY COUNCIL CONCERNS

Council member Bill Spelman:

“By putting \$100 back in the pocket of every senior who owns a home, **we have to take \$7 out of every younger person who owns a home**, in addition to those who rent” in order to make up the difference,

“I can think of a lot more efficient ways of putting money into the hands of people who really need it. ... I think we can do better than this.”

PUBLIC OPINION

- **Shouldn't get tax breaks just because you're old**

“The elderly and the rest of us would all be better served if those tax subsidies were used to provide better public transportation options. I think studies have shown that a large percentage of the elderly population are well off and don't need a tax break.”

HISTORY OF AUSTIN'S HOMESTEAD EXEMPTION

- The city's tax exemption for senior or disabled homeowners was first established in 1974 at \$3,000 and was last increased in 1986, to \$51,000.
- On March 20 City Council agrees to increase the city's homestead exemption.
- Increases the exemption for those who qualify as 65 years of age or older and those who are disabled from \$51,000 to \$70,000.

THE WAY IT WORKS

- \$70,000 is deducted from a home's appraised value, then the owner is charged city taxes on the remaining value.
- For example, if a 75-year-old man owns a \$300,000 home, he would pay city taxes only on a home value of \$230,000. At the city's current tax rate of 50.27 cents per \$100 of property value, he would pay about \$1,155 in city taxes, a savings of about \$350

ESTIMATED BENEFITS AND COSTS OF THE EXEMPTION

- City loses **\$8 million** in revenue each year.
- Increasing threshold to **\$70,000** will lead to an additional \$3.2 million in lost revenue in fiscal year 2015.
- The additional exemption saves qualified individuals an average of **\$95.51** per year.
- Raises the taxes on the owner of a median-valued home by **\$6.79** per year.
- No estimates of how much taxes would increase for businesses or renters.

Source: McCrady, April 23, 2014; Coppola, March 20, 2014

OTHER JURISDICTIONS' EXEMPTIONS FOR SENIORS

- Travis County \$70,000
- Austin ISD: \$35,000 from state requirements and additional exemptions which will result in greater tax savings.
- May receive a tax ceiling for total school taxes. The ceiling is set at the amount payed in the year the individual qualifies for the aged 65 or older exemption.
- Austin Community College: \$115,000
- Travis County Health Care District: \$70,000

Note: The amount of the exemptions that are granted by each taxing unit is subtracted from the market value of the residence and the taxes are calculated on that "lower value"

OPTIONS FOR INTERGENERATIONAL EQUITY IN TAXATION

Parametric Reform

- Tax ceiling
- Lower valuations
- Lower tax rate
- Change age of eligibility criteria

Structural Reform

- Exempt altogether