

**Property Tax Study Committee
Final Report to the Board of Selectmen
March 5, 2020**

Executive Summary

The Property Tax Study Committee (the “Committee” or “PTSC”) was appointed by the Board of Selectmen (“Board”) in January 2019. In light of the positive vote to fund the Lincoln School renovation project and the projected resulting average property tax increase of about 14.5%, the Committee was formed to address community concerns that the resulting property tax increase would further reduce the affordability of Lincoln’s housing and have a profound impact on financially vulnerable residents.

Over the past year, the Committee has focused on understanding the current economic needs of Lincoln residents, evaluating the utilization of current tax abatement and deferral programs, and exploring new programs that would target identified needs. Through this work, the Committee is convinced that there is a population in town that is at risk financially. The challenge for the group has been to define the scope of the need and to find a property tax program that efficiently helps the target population.

The Committee developed many ideas and considered them based on their projected cost, ease of administration, and likelihood of Town Meeting/legislative approval. Of these ideas, the Committee seriously explored two, the Residential Exemption and a local, extended Circuit Breaker program. At this time, the Committee recommends a Town Meeting vote to establish an extended Circuit Breaker program that will meet the needs of Lincoln residents, over 65, who meet defined income and asset limits.

In addition to this specific, property tax-related program, the PTSC wants to raise awareness within the community of the increased social support needs of Lincoln residents of all ages and income levels. The Committee urges the Selectmen to take a holistic look at the Town’s social-support network and to consider whether additional town resources should be employed to serve our community. This includes a continued focus on the intersection of housing availability, transportation, and social services.

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Introduction

In appointing the members of the Committee to investigate town need and possible property tax solutions, the Selectmen strove for a wide range of skills, viewpoints, and expertise. That is exactly how the Committee has played out, and residents should be confident that the complex issues raised in the course of the PTSC’s work were discussed thoroughly and from multiple perspectives.

The preamble to our charge (found in Appendices) asked the PTSC to investigate actionable tax tools and to consider both their efficacy and their impacts on the community within the framework of the town's vision and values, as expressed in the town's Vision Statement:

Lincoln is a town that cherishes its rural, agricultural character, its small town heritage, its open space, and its historical legacy. The town is committed to:

- Achieving a balance between preserving these values while making reasonable provision for citizens' safety and convenience;*
- Fostering economic, racial/ethnic and age diversity among its citizenry through its educational, housing, and other public policy;*
- Excellence in its public educational system;*
- The Town Meeting form of government and the traditions of civic leadership and volunteer public service.*

In accordance with our charge, and using the Vision Statement as our touchstone, the Committee centered its work around two overarching questions: "Who are we trying to help?" and "What are we trying to achieve?" To answer these questions, we examined current tax programs, looked at demographic data, investigated tax programs offered in our surrounding communities, and gathered input from Lincoln residents.

The Committee closely examined two options: 1) a locally-funded Circuit Breaker extension program that gives a tax break to residents over 65 who meet income and asset criteria, and 2) the Residential Exemption which, on a sliding scale, redistributes taxes from lower-priced properties to higher-price properties. Based on our work and feedback from residents, the PTSC is recommending that the Town consider adoption of a local extended Circuit Breaker program.

We are now pleased to present this report and we ask the Board to support the PTSC's request to bring a warrant article forward at the March 2020 Annual Town Meeting.

Current Property Tax Programs in Lincoln

The Committee began its work by establishing a shared understanding of the scope and utilization of current tax programs. There are eight exemption programs available to seniors and another seven for veterans. Two of the 15 programs are available to both renters and homeowners, the others are only for homeowners. The most heavily used programs are:

- The senior and veterans tax work-off programs: 48 seniors and 5 veterans are currently enrolled in these programs, which are funded by the town at an annual cost of \$79K. By votes at Town Meeting, the senior work-off program has been expanded by 20 slots over the past two years. Each participant is able to earn up to \$1500 off their tax bill by working for town departments such as the Library, the Lincoln School, and the Planning Department. The Council on Aging oversees the program, and it is at full capacity.
- The MA Income Tax Circuit Breaker: This is a state-funded, income- and asset-tested program that is available to renters and homeowners over the age of 65. The goal of the program is to ensure that an eligible resident's combined property taxes and water bill are no more than 10% of their income. For renters, property taxes + water are calculated. In 2017, 67 Lincoln residents received assistance through this program.

A tax program that can provide significant relief is the Deferral program, however it is not widely used. The PTSC spent some time understanding this phenomenon and came to the following conclusions:

- The Deferral program puts a lien on the property, and the deferred taxes must be paid when the property is sold. Some residents are hesitant to defer their property taxes because they want to leave their homes to their heirs debt-free.

- Some residents use the equity in their homes to pay for home health services or other needs. Banks will not offer home equity loans if there is already a lien on a property.
- If there is a mortgage on the property, the bank must approve the application for deferral. Many banks will not give their approval because it puts an additional lien on the property.

PROGRAM	Senior & Veterans Work Off	Deferral 41A	CPA Exemption	Temporary Deferral 18A	Elderly 17E	Elderly 41D	Blind 37A	MA Income Tax Circuit Breaker
Eligible Age	Seniors: 60 Veterans: none	60	None	None	70	65	None	65
Income Limit	None	Single \$60,000 Married \$90,000	For a Single Homeowner: < 60: \$63,448 60+: \$79,310	Financial hardship	None	Single \$22,527. Married \$33,787. excluding some SS	None	Single \$60,000 Married \$90,000
Asset Limit	None	None	None	Financial hardship	\$44,167. excluding domicile	Single \$45,050. Married \$61,944. excluding domicile	None	Domicile \$808,000; also available to renters
Assistance	Up to \$1,500	Total Bill (but not CPA tax)	Total CPA surcharge	Total Bill (but not CPA tax)	\$648	\$2,000	\$1,000	For 2019, tax credit of up to \$1,130
Inflation Adjustment	None	None	None	None	Annual CPI	None	None	Annual Adjustment
Apply	Annually	Annually	Annually	Annually (for 3 years only)	Annually	Annually	Annually	Annually
Cost to Town (last year)	Budget item: \$72K for Seniors; \$5K for Veterans	About \$300K on the books; \$ gets recouped	\$45; reduces revenue	About \$2400; \$ gets recouped when taxes paid	None	About \$4,500; reduces revenue, state reimburses statutory amount	About \$1,500; reduces revenue, state reimburses statutory amount	None
# Residents Using Program	48 Seniors 5 Veterans	4	2	1	0	3	3	67 (2017)
Local Discretion	Yes - Can fund more positions; could require additional admin. costs	Yes- Town lowered age threshold, can set interest rate between 0- 8% (currently 4%)	4 exemptions to choose from	Yes- Town can set interest rate between 0- 8%	No	Yes- Town raised income and asset limits, and raised assistance amount	Yes- Town raised assistance amount	No

Determining Need

From the outset, the PTSC knew that the most challenging part of its task would be to quantitatively identify “need” in the Lincoln community. To try to do so, the Committee began with the property tax programs outlined above and drew on the anecdotal knowledge of the town departments and non-profits that serve the community. The PTSC then collected quantitative demographic data related to age, income, and property values. Ideally, we would have been able to match income and property value data, but for privacy issues, it was not possible to do so.

Current Social Services in Lincoln

Lincoln’s municipal social safety net is comprised of the Council on Aging, the Lincoln Public Schools, the Parks & Recreation Department, and Public Safety. These departments are part of a larger coalition of about 20 non-profit and faith-based organizations that provide support such as heating fuel assistance, medical clinics, a food pantry, transportation, counseling services, and financial assistance with fees for school-based sports, music lessons, and after-school programs. (To learn more, information can be found at <https://www.lincolntown.org/1035/Human-Services-in-Lincoln> and by accessing the 2019 Lincoln Community Resource Directory: [https://www.lincolntown.org/DocumentCenter/View/381/Community-Resource-Directory-2019?bidId=.](https://www.lincolntown.org/DocumentCenter/View/381/Community-Resource-Directory-2019?bidId=))

The following gives a high-level summary of some of the services available to Lincoln residents.

Financial Assistance

Designated affordable housing units (rental and owned)

Lincoln Emergency Fund

- Up to \$ 2400 per household per lifetime. Last Year - \$16K

St. Vincent de Paul/ St. Joseph's provides about \$30 to \$40K/year in financial assistance

Emergency Housing Funds

- \$15K grant from The Commons

Rental Assistance Program

- \$30K funded by CPA for 1 year.
- Monthly subsidies to those eligible for affordable housing for whom housing is unavailable due to lack of capacity.

Parks & Recreation financial aid

LPS Financial Assistance

- Federal Free & Reduced Meal Program
- Assistance for bus, athletic, instrument lesson fees

Social Services

Council on Aging

- COA social services staff: care management, crisis intervention, info and referral, transportation, medical equipment loans, benefits assistance, & more. Town & grant-funded.
- Veteran's Agent: 3hrs/ wk, Town-funded; all ages.
- Public Health Nurse: 6hrs/ wk; Town-funded, all ages.
- Town Social Worker: 12hrs/ wk; grant-funded, all ages.
- Mental Health Clinics: 1/ month; Town & grant-funded; all ages

Public Safety

- Jail Diversion Coordinator: hours vary; grant-funded; all ages

Schools' Student Services

To further understand community needs, it is helpful to look at the utilization of specific programs. We offer, as illustration, the St. Vincent de Paul/St. Joseph's food pantry, which is sustained through private donations, and the newly established Rental Assistance program, which was funded with Community Preservation Act (CPA) funds by a vote at the 2019 Town Meeting.

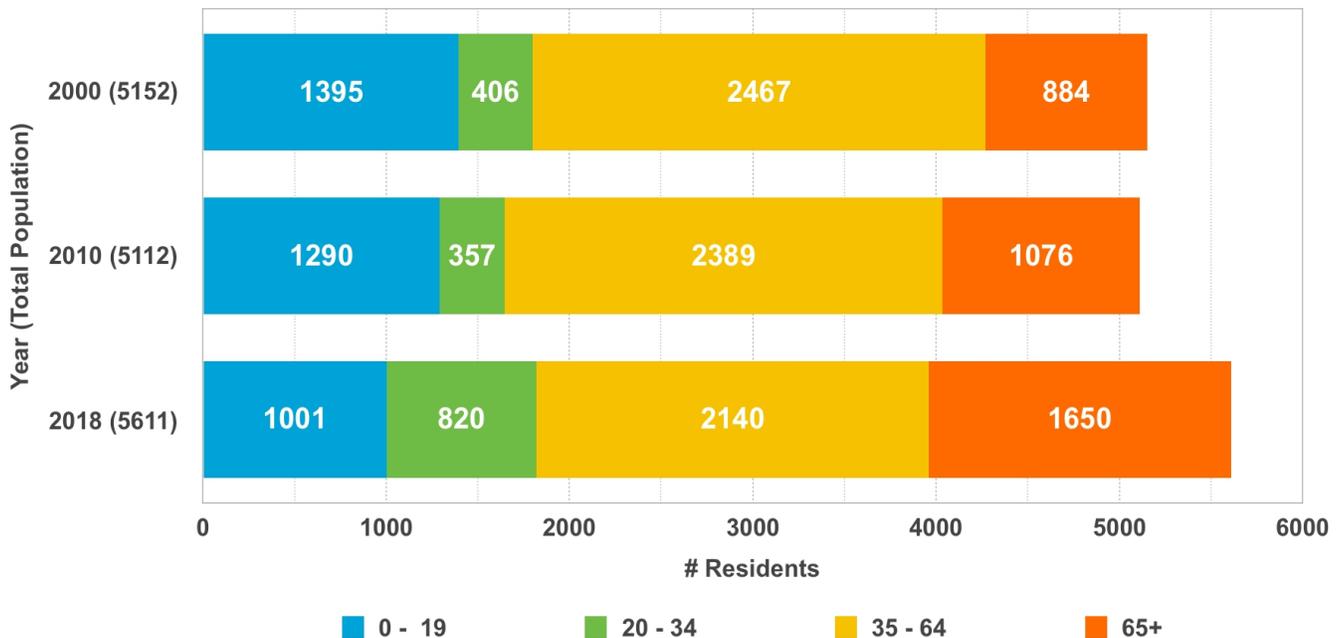
- **Food Pantry:** The St. Vincent de Paul food pantry is housed at St. Joseph's church. In 2017, they served 40 clients. Over the past three years, this number has risen steadily, and in January 2020 they served 135 Lincoln residents in 67 households. 17 of the households included children.
- **Rental Assistance:** It is estimated that 80% of Lincoln properties are owner-occupied, which indicates that about 20% of properties are rented. Of that 20%, 172 units are designated as "affordable" for residents who meet state income limits under a number of housing subsidy programs. Demand for affordable units outstrips their availability, so to try to, in effect, create more affordable housing, the Housing Commission and the Council on Aging co-sponsored a warrant article to establish a Lincoln Rental Assistance program with \$30,000 from Community Preservation Act funds. The 2019 Annual Town Meeting voted to create the program and appropriate funds in order to provide housing assistance to qualified applicants.
 - The program received applications from 29 households.
 - Preliminary analysis of the data gleaned from the eligible applications indicates that the need far exceeds the amount of funding appropriated (about 3X as many households applied as can be accommodated).
 - The households tend to have incomes that are quite a bit lower than the 80% AMI eligibility requirement and have cost burdens significantly higher than 30% of income spent for housing.

- The households are actively trying to be financially self-sustaining when possible (one member is working in more than half of the households, while the rest are well into their retirement years or have disabilities preventing them from working) and many are long-time Lincoln residents.
- Bringing the cost burden of all applicants down to 30% of income spent on housing would require that the program disburse about \$200K annually.

Demographics

Who lives in Lincoln? How does that translate into understanding need and the implications of new programs? The chart below shows the population by age within the 01773 zip code, and thus does not include the residents of Hanscom Air Force Base. From this information, it is apparent that Lincoln has become older over the past 20 years. In 2000, 17% of the population was over 65, in 2010, it was 21%, and currently 29% are over 65. Partly, this change reflects national demographics for suburbs, but the increase is also explained by the fact The Groves (now The Commons) opened in 2010.

Lincoln Population by Age Group (01773)



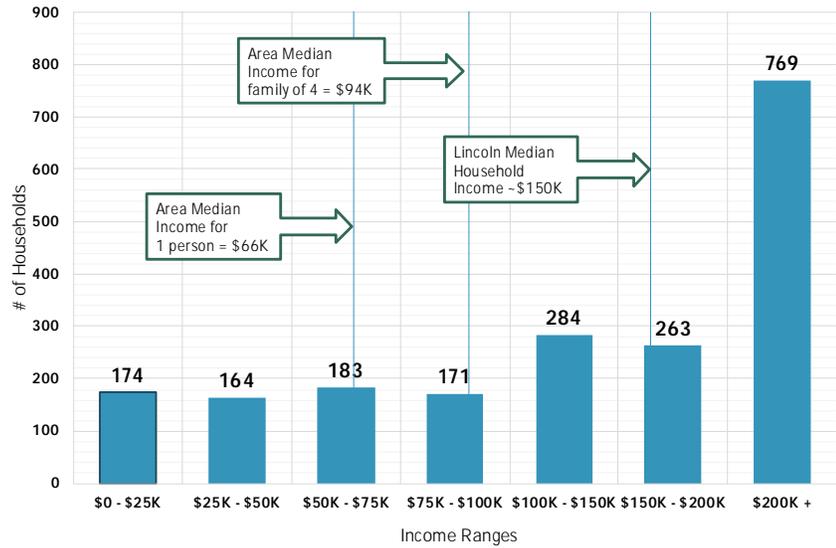
2000 & 2010 data from US Census; 2018 data Town Census

Next, the Committee looked at household income data from the 2017 US Census’s American Communities Survey which estimates that of the roughly 2000 households in Lincoln:

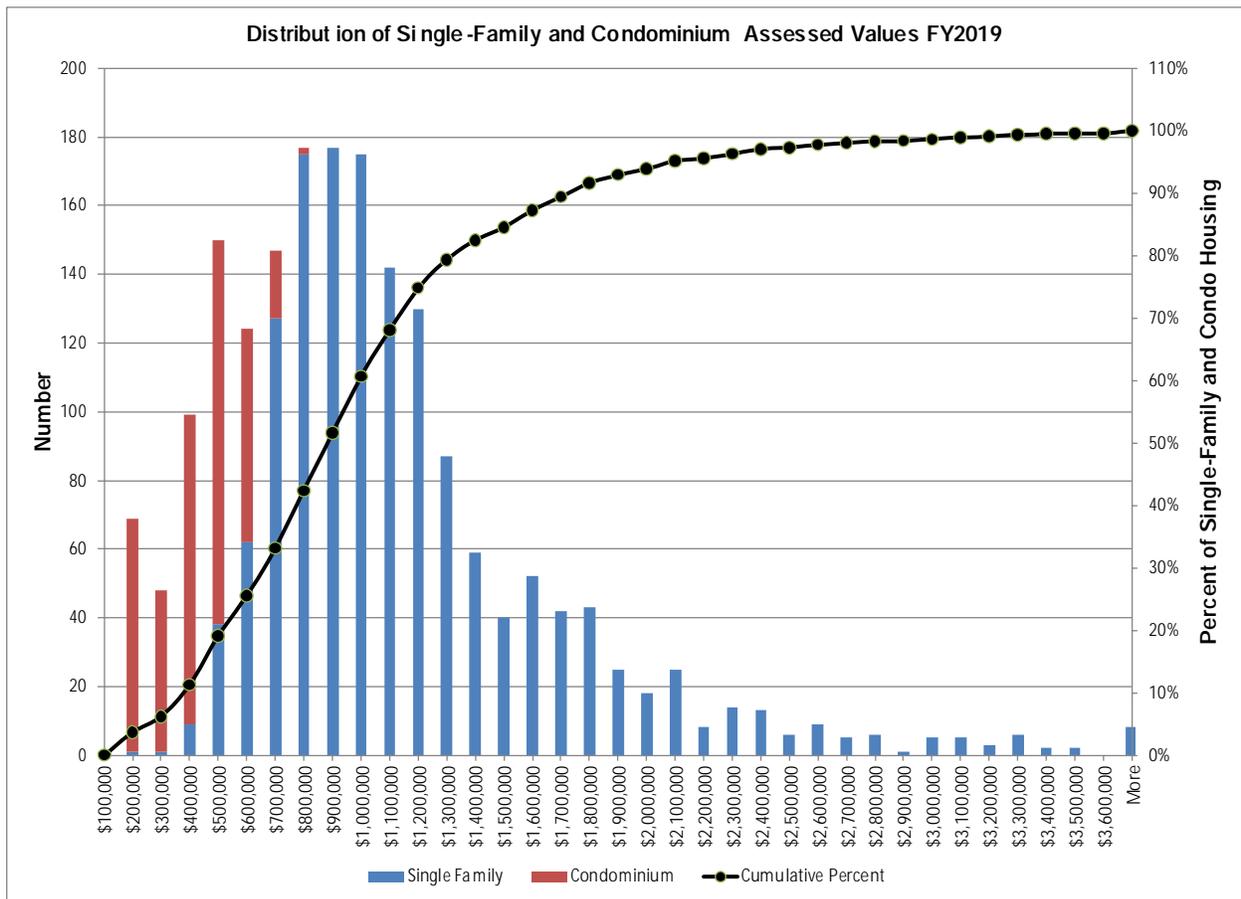
- About 34% have an income below \$100K
- About 27% have an income between \$100K and \$200K
- About 38% have an income over \$200K
- In the >\$200K range, according to 2017 data, there are about 159 households with an income above \$1M (https://www.bostonglobe.com/metro/2020/01/22/the-number-million-dollar-earners-mass-soaring-here-where-they-live/O4rvQ6yYz0LU1QR7QakuMO/story.html?s_campaign=breakingnews:newsletter)

Demographics: Income by Household (2017)

Source: US Census'
American Communities
Survey



The PTSC also did an analysis of assessed property values in Lincoln. The chart shows the number and percentage of owned units at \$100K increments of assessed value.



As noted previously, in addition to owned units, there are 298 rental units in Lincoln of which 172 meet the state definition of “affordable.” The remaining units are market-rate. These numbers include the 60 units at Oriole Landing that will become available later this spring.

Taken together, this information shows that there is a wide range of incomes and a diversity of housing stock in Lincoln, and it begins to identify a segment of the population that may be financially vulnerable. However, due to privacy protections, the PTSC was unable to overlay the income information onto property values to try to understand which residents might be most impacted by the recent increase in property taxes.

Exploration of New Property Tax Programs

The PTSC built on the work of the Property Tax Relief Group which identified two possible programs the town could pursue: 1) the Residential Exemption, and; 2) a local extension of the MA State Circuit Breaker program. As the Committee began to dive into understanding and comparing these two approaches to meeting the needs of vulnerable residents, several members of the PTSC reached out to current and former state officials to find out if there are other ideas that other towns or the state have considered.

Information from State Lawmakers

The Committee designated two members to meet with a retired legislator who had chaired the Joint Committee on Revenue on March 25, 2019, who was very interested in, and supportive of, Lincoln's efforts to address the challenges our increase in taxes place on some of our more vulnerable citizens, and the efforts by Lincoln to provide affordable and diverse housing. He did caution that, in his experience, any program that would require State resources or funding would be a non-starter, and that we might find that efforts to introduce an innovative Home Rule petition could be met with skepticism.

There was a subsequent meeting in April with the Chief Counsel & Research Director for the Joint Committee on Revenue, and with that committee's Chief of Staff to the Chair. Two PTSC members attended that meeting and discussed Lincoln's efforts to provide financial relief to citizens who would qualify for programs based on needs testing. In particular, they discussed the reluctance of seniors to participate in the Tax Deferral program which places a lien on the property that would prevent them from accessing necessary cash assets through refinancing. The PTSC members explored whether a Home Rule petition allowing the Town to modify the nature of the lien might be supported at the state level and were told that there would be reluctance to consider any legislation that had the potential for setting precedent. In this case, the banking sector might find this proposal problematic and thus object. The PTSC was counseled to work within the parameters of existing State statutes and regulations or within another town's Home Rule petition that had already been approved by the Commonwealth.

Based on these meetings, the PTSC chose to concentrate on understanding the implications of the Residential Exemption and local Circuit Breaker programs.

Local Circuit Breaker Extension Programs

As noted above, in 2017, 67 Lincoln residents qualified for the Massachusetts Circuit Breaker program. The state program is for homeowners and renters, over 65, who meet income, asset and property value limits. For FY19:

- The current income limit is \$60,000 for individuals, and \$90,000 for married couples filing jointly
- For homeowners, the assessed home value must be no greater than \$808,000; property must be owner-occupied; property tax payment + ½ of water/sewer bill must exceed 10% of income
- For renters, 25% of annual rent must exceed 10% of income

The goal of the program is to ensure that these residents pay no more than 10% of their income on property taxes. Residents fill out the state CB form, and based on their information are eligible for a maximum tax reduction of \$1130 (FY19). However, in towns like Lincoln where property tax bills are high, the state benefit may not be enough to reduce the property tax payment down to 10% of income.

Faced with this issue, three of our peer towns, Sudbury, Concord and Wayland, have created different versions of a locally-funded Circuit Breaker extension program in order to provide additional benefits to qualifying households. These programs share the following characteristics:

1. They are exclusively for homeowners who are over 65
2. The owners must have lived in their town for at least 10 years
3. Applicants must meet income and asset limits
4. The programs are funded by the taxpayers in the towns

Because of the additional need identified by multiple towns, the state legislature is considering passage of enabling legislation, HR 2477, that would allow all MA cities/towns to implement an extension program without filing a Home Rule petition. The chart below compares the MA Circuit Breaker program with the local extension programs in Sudbury, Concord, and Wayland and with, HR2477.

	Current State Circuit Breaker	Sudbury	Concord	Wayland	Proposed HR2477
Housing Status	Own or Rent	Own	Own	Own	Own
Age Requirement	65+	Owner 65+ Coowner 60+; Homeowner 10+ years in Sudbury	Owner 65+ Co-owner 60+ Homeowner 10+ years in Concord	65+ Homeowner 10+ years in Wayland	Owner 65+ Coowner 60+; Homeowner 10+ years in town
Income Criteria	Single \$60,000 Married \$90,000	Meet state Circuit Breaker limits	Meet state Circuit Breaker limits	Meet state Circuit Breaker limits	Meet state Circuit Breaker limits
Property Value	\$808,000 (2019)	< 10% above town average	< town median house value	Same as State	Same as State
Application Requirements	File MA form CB	File MA form CB Additional verification of income/ assets	File MA form CB Assets (excluding residence) must be < \$250K	File MA form CB Must receive State CB	File MA form CB
Benefit	Up to \$1,130 (2019)	Goal: Pay up to difference between tax + water bill and 10% of income	Goal: pay no more than 10% of income; capped at 50% of property tax bill	Matches state Circuit Breaker credit received	Pays up to difference between tax + water bill and 10% of income
Funding Source	State	Increases the residential tax levy up to 1%	Increases the residential tax levy up to 0.5%	Overlay Reserve (town funded)	Increases the residential tax levy up to 1%
Other	Criteria and benefit change every year	Reauthorization @Town Meeting every 3 years	Reauthorization @Town Meeting every 3 years	No sunset clause	Reauthorization @Town Meeting every 3 years
Utilization of state program in 2017 (benefits paid by state) www.mass.gov	67 (1.2%) Lincoln residents Population ~5600 Avg. benefit \$1016	209 residents (1.1%) Population 19,627 Avg. benefit \$976	280 residents (1.5%) Population 19,211 Avg. benefit \$1004	219 residents (1.6%) Population 13,882 Avg. benefit \$1036	n/a

The underlying premise of the Sudbury and Concord programs is that most residents pay a little bit more annually in order to provide significant benefits (a property tax exemption up to 50% of the recipient’s tax bill) to those with clearly identified financial need. How it works:

- Add up the total amount of exemptions granted (capped at 0.5% of the total tax levy in Concord and at 1.0% in Sudbury).
- This amount is spread over the rest of the tax paying base, with the result being that everyone else pays a bit more so that the recipients pay a bit less (a “burden shift”).
- The total amount of property tax revenue collected does not increase – there is no override of Proposition 2 ½. In this regard, the program is “self-funding” and does not compete with town budgets.

Sudbury funds its program by adding up to 1% onto the town tax levy. The following chart shows the history of its program since it was established in FY14. The annual benefit has resulted in a burden shift between 0.4% and 0.5% of the total tax levy.

Sudbury Program Statistics	FY14	FY15	FY16	FY17	FY18
Applications Filed	124	132	103	111	115
Applications Approved	118	124	103	111	113
Average Benefit	\$2,450	\$2,665	\$3,288	\$3,282	\$3,646
Total Program Cost/ % of Tax Levy	\$289,151/ 0.40%	\$330,400/ 0.40%	\$338,664/ 0.44%	\$364,322/ 0.46%	\$414,074/ 0.50%
Total Tax Levy	\$73.0M	\$73.5M	\$77.0M	\$79.9M	\$83.3M
Average Annual Residential Tax Increase	\$45.00	\$65.00	\$61.00	\$63.00	\$73.00

Residential Exemption

The Residential Exemption is a tool that is available to every city and town in the state. The executive branch of each municipality decides on an annual basis whether or not to implement an Exemption. In Lincoln (and every other town in the Commonwealth), that decision rests with the Board of Selectmen. It is a decision that is made in September of each year when the Selectmen, with analysis and input from the Board of Assessors, sets property tax rates for the following year.

The Residential Exemption provides a benefit to owner-occupied residential properties and, by using property value as a stand-in for relative wealth, is seen as a way to make property taxes even more progressive than they already are. The following formula is used:

1. Determine the average assessed home value.
2. Choose a % of that value to exempt from taxation.
3. Multiply this % by the average assessed value to set a fixed dollar amount.
4. This fixed amount is subtracted from the assessed value of every owner-occupied residence.
5. A new tax rate, based on the revised assessments, is calculated in order to raise the revenue needed to fund the town budget (*it does not raise additional revenue*).
6. The new rate is applied to the modified assessments.

Because the dollar amount of the exemption is same for all owner-occupied properties, tax bills for lower-assessed properties are reduced significantly, and the highest-priced properties pay significantly more. The tax reductions/increases occur regardless of income or other assets.

Although this is a tax tool that is available to every municipality, to date it has only been adopted by 14 out of 351 cities and towns. There are two types of communities that use it: 1) Urban areas such as Boston or Brookline that want to incentivize owner-occupied properties, are willing to make landlords and market rate renters pay a bit more, and have a large commercial base; and 2) Towns like Provincetown where there is a high percentage of vacation homes. The exemption gives a tax break to year-round residents.

The following chart illustrates the impact of implementing a 5% Residential Exemption in Lincoln:

Assessed Value Range	%/# of Single Family & Condo Properties in the Assessed Range	Average % Tax Difference	\$ Range of Tax Difference
Under \$500,000	19%/364	-10%	(\$714) to (\$449)
\$500,000 to \$1,140,000	52%/998	-2%	(\$449) to \$0
\$1,140,000 to \$1,500,000	14%/269	+0.5%	\$0 to +\$262
\$1,500,000 to \$2,000,000	9%/174	+2%	+\$262 to +\$617
Over \$2,000,000	6%/117	+3%	+\$617 to +\$4,400

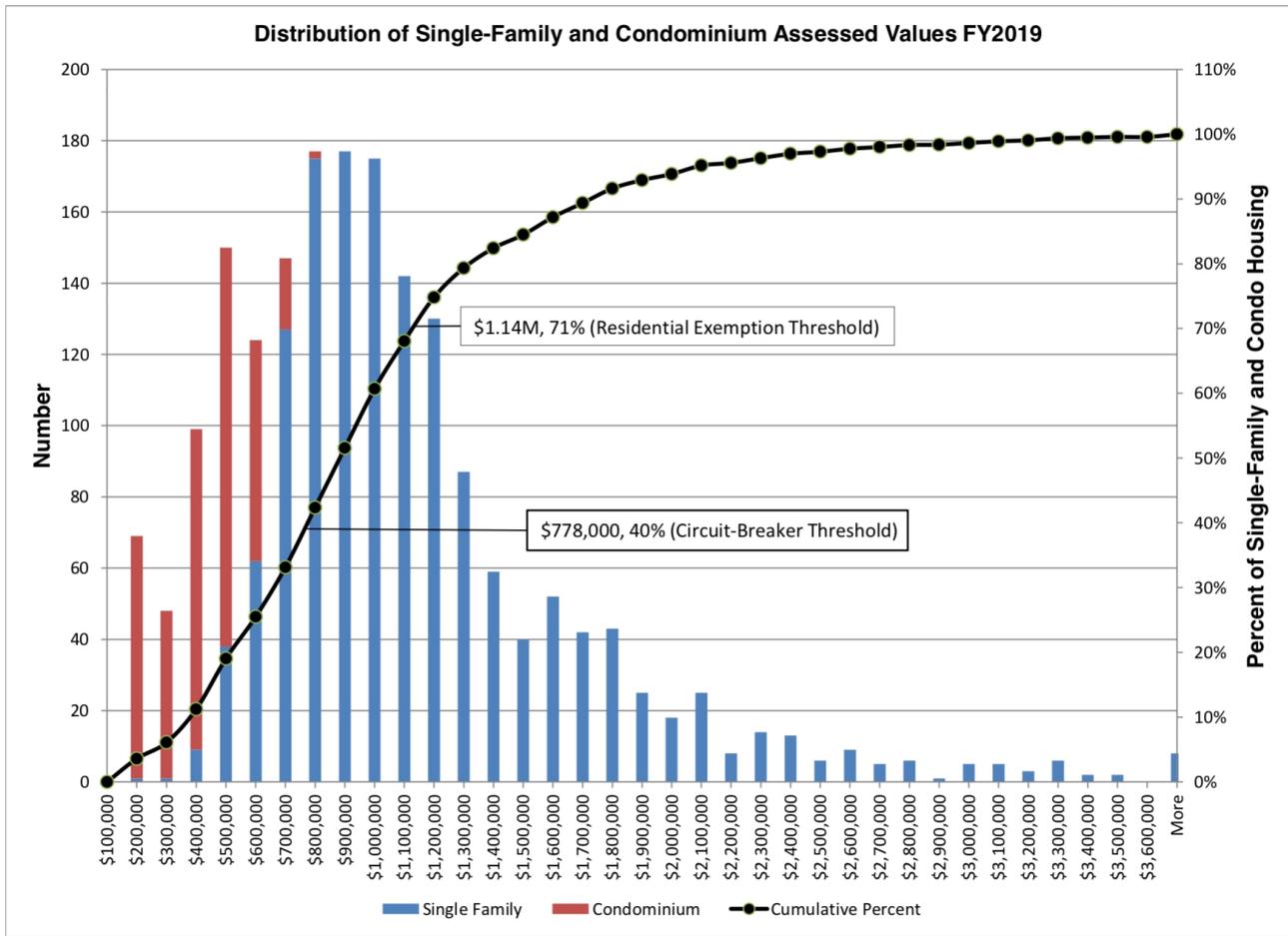
Impact on Residents: An Analysis of a local Circuit Breaker vs. the Residential Exemption

First, it is important to note that these two approaches to property taxes are not mutually exclusive. The town could choose to adopt one or both of these programs. The following chart compares how a local Circuit Breaker program (funded at the maximum 1% of the tax levy) and a 5% Residential Exemption would impact residents:

Assessed Value	Impact of a Maximum 1% levy for an Extended Circuit Breaker Program	Impact of a 5% Residential Exemption
\$500,000	New tax rate \$15.51/\$1000 \$7,755 tax bill \$75 HIGHER than FY20	Reduces assessment to \$450,000 New tax rate \$16.07/\$1000 \$7,232 tax bill (\$449) LOWER than FY20
\$1,140,000 (break-even point for Residential Exemption)	New tax rate \$15.51/\$1000 \$17,681 tax bill \$171 HIGHER than FY20	Reduces assessment to \$1,090,000 New tax rate \$16.07/\$1000 \$17,516 tax bill NO CHANGE vs FY20

\$2,000,000	New tax rate \$15.51/\$1000 \$31,020 tax bill \$300 HIGHER than FY20	Reduces assessment to \$1,950,000 New tax rate \$16.07/\$1000 \$31,337 tax bill \$617 HIGHER than FY20
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This chart below shows the distribution of assessed values in Lincoln and makes note of the value limit that is used in the state Circuit Breaker program and the break-even point in the 5% Residential Exemption example. From this it is possible to see how many residences could qualify for a local Circuit Breaker program (if the homeowners also meet the income limit) and how many would have a lower tax bill if a Residential Exemption were enacted.



A further comparison of the two programs also lays out the pros and cons of each program:

	Circuit Breaker Extension	Residential Exemption
Target Population	Lower-income <u>homeowners</u> in lower-value homes who are <u>over 65 and have lived in town 10+ years</u>	<u>Homeowners (owner-occupied properties)</u> with property valued below a “break-even” point
Program Goals	Targeted program to ensure property taxes + water bill are no more than 10% of income.	Broad-based policy that encourages owner-occupation of properties and makes property taxes more progressive
Criteria	Over 65; 10+ years in town; must meet income, home value, and other asset limits	Applies to all owner-occupied residential properties
Benefit	Provides \$ as needed beyond state program to ensure taxes + water bill are only 10% of income	Varies - the lower the property value, higher the benefit
Funding Source	<u>Raise total tax levy by up to 1%</u> to provide funds; this additional cost borne by all other homeowners; administrative costs are neutral	<u>No additional revenue</u> ; tax levy is shifted to higher-value properties; administrative costs are neutral
Pros	Targets those w/ demonstrated economic need; significant benefit for most vulnerable; used in peer towns	Helps all ages; benefits majority of homeowners; more benefit the lower the property value; No additional revenue needed
Cons	Needs additional revenue; only for homeowners; only those over 65; doesn't help renters	No asset criteria - uses property value as a proxy for need; could negatively impact renters; could harm those with low income & higher home value

Outreach

Over the past year, the Committee made a concerted effort to reach out to the community to explain its work to residents and to collect feedback and opinions about whether there is interest in adopting either or both of these tax tools.

- The PTSC’s work was introduced at the March 2019 Annual Town Meeting - <https://lincolntv.viebit.com/player.php?hash=pvSev8B6rO9r#>
- Public Forum #1, June 18, 2019 - <https://www.lincolntown.org/DocumentCenter/View/44838/June-18-Property-Tax-Forum>
 - About a dozen residents attended, and their feedback, along with the feedback from those who viewed the presentation on line and subsequently responded to the questionnaire may be found in the following link: <https://www.surveymonkey.com/results/SM-FH7GJDSQ7/>
- Presentation to the Finance Committee on September 16, 2019
- Public Forum #2, October 15, 2019 - <https://www.lincolntown.org/DocumentCenter/View/58540/October-15-2019-Public-Forum-Presentation-Slides>; <https://lincolntv.viebit.com/player.php?hash=1mU2u5beDnv6> (video)
- Presentation to the Board of Selectmen on October 21, 2019 - <https://lincolntv.viebit.com/player.php?hash=gKfCWXX20guM>
- State of the Town, November 2, 2019 - <https://lincolntv.viebit.com/player.php?hash=J6mbSK1H9Vh4>
 - Survey results in Appendix E

Private Funding

Before the December 2018 vote on the Lincoln School project bond, a number of residents responded to community concerns about vulnerable residents by pledging over \$150,000 in private funds to some sort of program that would be target to those in need.

The Committee spent some time considering ways that such a public-private partnership might work, and identified a couple of ideas that seem appropriate:

- Use the funds to augment the current Lincoln Emergency Fund that is administered by the Council on Aging. These funds are available to residents of any age. There is a lifetime benefit cap.
- Consider funding a Circuit Breaker extension program for those under 65. The challenge would be providing the professional staff time needed to process applications.
- Consider adding funds to the new rental assistance program that is being administered by the Council on Aging.

The members of the PTSC who are liaisons with the private citizens' group will work with those individuals and the Town to determine how funds might be used.

Conclusions and Recommendations

Foundational to our charge were the questions about who we are trying to help and what we want a tax program to achieve. These questions led to a philosophical debate both within the Committee and among residents about whether our goal was to propose a narrowly focused program aimed at those residents with a demonstrable financial need, or whether we should try to use tax policy as a means of preserving "community character." Community character was loosely defined within our Committee as a community comprised of a full spectrum of housing price points, incomes, and demographic diversity.

In the course of our work, our Committee agreed that there are Lincoln residents with demonstrable financial vulnerability, and we were able to achieve consensus on the value of developing a narrowly focused tax program. There was less agreement about whether tax policy is the best way to support a diverse community. This important conversation had a direct impact on the recommendations we are now putting forward for the Board of Selectmen's consideration.

Conclusions

- There is a significant portion of the population that relies on Lincoln's social safety network. The town will have to continue to look at what it offers and what more might be needed to support all its residents.
- The Council on Aging, Board of Assessors, and the Finance Committee have all made significant efforts to advertise the availability of the available tax programs and the PTSC encourages continued and new ways of communicating information to residents.
- The Board of Selectmen could consider making allowable changes to the interest charged for tax deferrals.
- Looking at the pros and cons of both tax tools, the PTSC noted that neither the Residential Exemption nor the Circuit Breaker programs in our neighboring towns benefit renters. Lincoln has worked hard over the decades to ensure that there is both market rate and affordable rental housing, and the Committee agrees that any Circuit Breaker type of program put forward should include renters as well as homeowners.
- Residents clearly expressed that while it might be worth having another conversation about the Residential Exemption in the future, implementing it immediately in the wake of a significant tax increase does not seem appropriate. Many noted that the vote for the Lincoln School project happened in the context of specific expectations about the resulting tax impact, and the Residential Exemption would change that context. The PTSC recognizes the benefits of an Exemption for many residents and also feels strongly that the decision to implement an Exemption should only happen after a transparent conversation with the community and a town vote of support for its adoption.
- A Circuit Breaker program could provide significant assistance for a small number of residents over 65. The Committee recognizes how important this would be for those individuals yet notes that it would not help those under 65 or those who might meet the income limit but be living in a home valued above the assessment limit.

- The proposed legislation, H.2477, which would enable towns to implement an extension program, is stalled in the state senate.

Recommendation

The PTSC recommends that the Town pursue a Home Rule petition for a locally-funded extended Circuit Breaker program and recommends that it be based on the language of H.2477 with the following changes:

- H.2477 is based on the Sudbury extension program with one significant difference: the state bill limits the assessed value of the property to the threshold used in the MA Circuit Breaker program. Sudbury's town-funded program allows the property assessment to be 10% above the town's average assessed property.
 - The PTSC is choosing to recommend using the same assessed value limit as the MA Circuit Breaker program because adopting Sudbury's model would result in a high assessed-value cut-off (\$1,296,000 for FY20). The Committee felt that this limit was not in keeping with the desire to create a program that is targeted to those most in need.
- The Lincoln program, like the MA program, should be available to both homeowners and renters. Lincoln values its diversity of housing options, and the Committee believes that this program should be available to all eligible residents, regardless of housing status. It would aim to reduce the property tax burden of eligible property owners to 10% of income, and to 25% of rent exceeding 10% of income for renters.
- The residency requirement should be 5 years instead of 10 years. The Committee believes that 5 years is enough time to ensure a commitment to the community yet recognizes that those over 65 who might be downsizing into one of our condo or rental units might have a change of circumstances that would make financial assistance necessary.
- It is important to note that independent of the number of residents who might be eligible to participate in such a program, the maximum tax burden shift would be a known quantity, as the legislation only permits the program to be funded up to 0.5% of the total tax levy in the first year, and up to 1% thereafter. For Lincoln, this translates into a total maximum benefit limit of about \$175,000 in year 1, and about \$350,000 in subsequent years.

The Committee asks the Board of Selectmen to sponsor a Circuit Breaker Home Rule Petition article on the 2020 Annual Town Warrant.

Respectfully Submitted

Carolyn Bottum, ex-officio, Council on Aging
 Brendan Coughlin, member at large
 Jennifer Glass, appointee, Board of Selectmen
 Gina Halsted, appointee, Finance Committee
 Tim Higgins, ex-officio, Town Administrator
 Dave Levington, member at large
 Sara Mattes, member at large
 Ellen Meadors, appointee, Board of Assessors
 Kenny Mitchell, member at large

Appendices

A. Charge of the Committee

Property Tax Working Group

Lincoln's vision statement says that one of the town's core values is to foster and support a diverse community. This value is inherent in many aspects of town policy and practice, and diversity is defined in many different ways. During the past two years, as the town has planned for infrastructure investments in the Lincoln School, a proposed Community Center, and other ongoing needs, there has been community interest in understanding the financial tools the town has at its disposal to promote economic diversity, and to explore how those tools might be maximized in service to Lincoln's vision.

To that end, the Board of Selectmen ("Board") is convening a Property Tax Working Group that will be charged to research the opportunities for shaping tax policy that are available to us under state and federal law, and to present to the Board and the community its findings.

Components of the charge include:

1. Research and understand the implications of programs such as the extended Circuit Breaker Program, currently under consideration at the state level, and the Residential Exemption that cities and towns may use in setting the local property tax rate.
2. Understand, to the extent practicable, the scope and types of community needs.
3. Understand the financial impact of these and other programs and determine whether programs such as these can/should run concurrently.
4. Seek input from the community to understand the appetite for such programs in the context of other town priorities.
5. Work with town agencies and private citizens to understand how private fundraising efforts could be best utilized to soften the economic impact of successive building projects.

The proposed composition of the Working Group is:

1. Member, Board of Selectmen (1)
2. Member, Finance Committee (1)
3. Member, Board of Assessors (1)
4. At-Large Members (up to 4)
5. Town Administrator, Ex Officio
6. Director, Council on Aging, Ex Officio

Timeline:

- The Board will appoint the Working Group by the end of January 2019.
- The Working Group will provide an update of its process and work at the March 2019 Annual Town Meeting.
- The Working Group will make recommendations to the Board by the end of September 2019, at which time the Board will decide whether to call a Special Town Meeting to vote on proposals.
- The Working Group will make a report to the town at the 2019 State of the Town Meeting and/or at a concurrent Special Town Meeting.

B. Property Tax Study Committee Timeline

- January 2019: Board of Selectmen approves PTSC charge.
- March 2019: Overview of the committee's charge presented at Annual Town Meeting
- June 2019: Public Forum #1
- October 15, 2019: Public Forum #2
- October 21, 2019: Presentation to the Board of Selectmen
- November 2, 2019: Progress report at the State of the Town meeting

- February 10, 2020: Presentation of the Final Report and Recommendations to the Board of Selectmen
- March 28, 2020: Home Rule Petition warrant article to be presented at the Annual Town Meeting

C. Impact of School Project on Property Tax Bill

FY2020 Tax Increase

Tax rate \$14.03/\$1000 → \$15.36/\$1000 assessed value

Assessments ↑ about 3% (on average)

Average taxes ↑ 12.3%

- Less than projected increase of 12.7%

Individual increases vary depending on:

- Home improvements
- Market factors (e.g. condo values increased more than single-family home values)

Annual Residential Tax Bill Increase

Using FY2019 Valuations

	Borrowing Amount	Interest Rate	Tax Impact for Median Taxpayer	Percentage Increase over FY19
Scenarios presented at Dec 1, 2018 Special Town Meeting	\$ 88,500,000	4%	\$ 2,415	17.2%
		5%	\$ 2,717	19.4%
School Bond Issuance on Feb 20, 2019	\$ 80,000,000	3.38%	\$ 2,026	14.5%
FY20 Proposed Budget excl Bonding			\$ (245)	-1.7%
Total Estimated FY20 Tax Bill Increase			\$ 1,781	12.7%
Scenarios for final "cleanup" borrowing sometime in 2021	\$ 8,500,000	4%	\$ 232	1.7%
		5%	\$ 261	1.9%
Ultimate Total Tax Bill Increase		4%	\$ 2,013	14.4%
		5%	\$ 2,042	14.6%

Median Taxpayer: 2019 Tax Bill of \$14,008

Veterans Exemptions *

Clause	Type	Amount	Veteran	Spouse	Surviving Spouse	Surviving Parent	Cost to Town	# Residents	Local Discretion
22	Veterans with minimum 10% war service disability; Purple Heart recipients; Gold Star Parents; Surviving Spouses	\$824	X	X	Until remarriage	x	About \$4,100	10	Yes-Town doubled amount
22A	Veteran who lost one hand, foot or eye; or received a Congressional Medal of Honor, Distinguished Service Cross, Navy Cross, or Air Force Cross	\$1,500	X	X	X		\$0 currently	0	No
22B	Veterans who lost two hands or feet, or both eyes	\$2,500	X	X	X		\$0 currently	0	No
22C	Veteran with 100% disability and specially adapted housing	\$3,000	X	X	X		\$0 currently	0	No
22D	Surviving spouses of veterans killed in a combat zone	Total for 5 years, then \$2,500			X		\$0 currently	0	No
22E	Veterans with 100% disability	\$2,000	X		X		About 3,100	3	Yes-Town doubled amount
8A	Paraplegic veterans	Total	X		X		\$0 currently	0	No

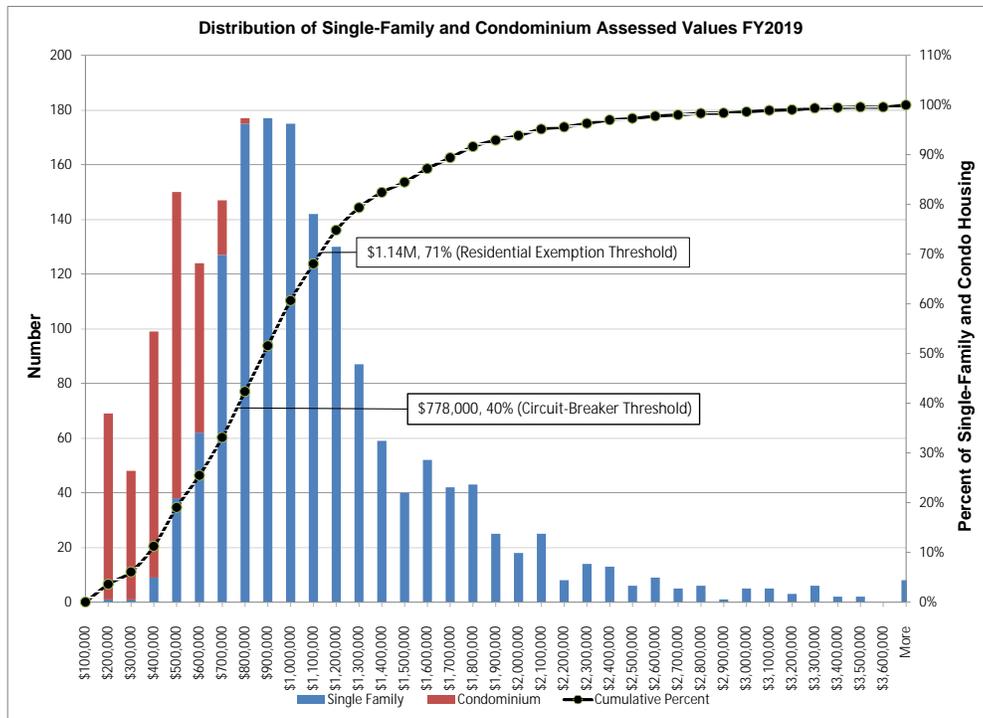
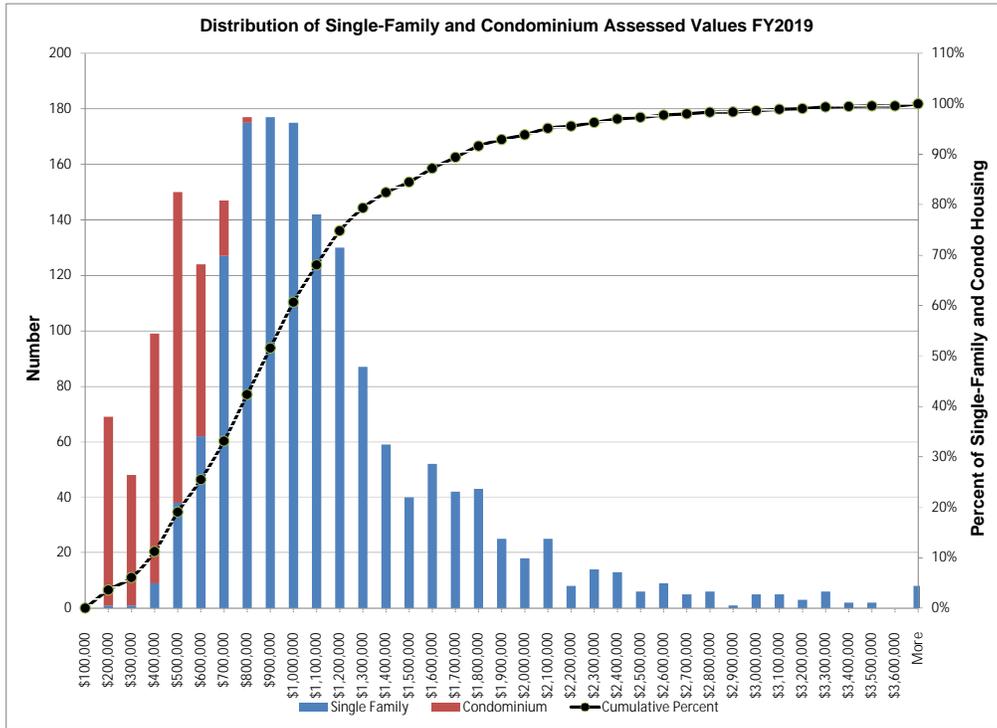
* These programs are only for homeowners

D. Existing Tax Reduction/Abatement Programs

Property Tax Exemptions

PROGRAM	Senior & Veterans Work Off	Deferral 41A	CPA Exemption	Temporary Deferral 18A	Elderly 17E	Elderly 41D	Blind 37A	MA Income Tax Circuit Breaker
Eligible Age	Seniors: 60 Veterans: none	60	None	None	70	65	None	65
Income Limit	None	Single \$60,000 Married \$90,000	For a Single Homeowner: < 60: \$63,448 60+: \$79,310	Financial hardship	None	Single \$22,527. Married \$33,787. excluding some SS	None	Single \$60,000 Married \$90,000
Asset Limit	None	None	None	Financial hardship	\$44,167. excluding domicile	Single \$45,050. Married \$61,944. excluding domicile	None	Domicile \$808,000; also available to renters
Assistance	Up to \$1,500	Total Bill (but not CPA tax)	Total CPA surcharge	Total Bill (but not CPA tax)	\$648	\$2,000	\$1,000	For 2019, tax credit of up to \$1,130
Inflation Adjustment	None	None	None	None	Annual CPI	None	None	Annual Adjustment
Apply	Annually	Annually	Annually	Annually (for 3 years only)	Annually	Annually	Annually	Annually
Cost to Town (last year)	Budget item: \$72K for Seniors; \$5K for Veterans	About \$300K on the books; \$ gets recouped	\$45; reduces revenue	About \$2400; \$ gets recouped when taxes paid	None	About \$4,500; reduces revenue, state reimburses statutory amount	About \$1,500; reduces revenue, state reimburses statutory amount	None
# Residents Using Program	48 Seniors 5 Veterans	4	2	1	0	3	3	67 (2017)
Local Discretion	Yes - Can fund more positions; could require additional admin. costs	Yes- Town lowered age threshold, can set interest rate between 0-8% (currently 4%)	4 exemptions to choose from	Yes- Town can set interest rate between 0-8%	No	Yes- Town raised income and asset limits, and raised assistance amount	Yes- Town raised assistance amount	No

E. Distribution of Assessed Values



E. Housing Analysis

Number of Households that might Qualify for a Circuit-Breaker Tax Relief Program*

	Totals	Owner-Occupied Owned for > 5 Years	Owner-Occupied Owned for > 5 Years Owner 65+
All Housing Units			
Single-Family	1,522	943	474
Condos	401	188	123
Total	1,923	1,131	597
Housing Units with Assessments <= \$778,000			
Single-Family	374	214	127
Condos	401	188	123
Total	775	402	250
Housing Units with Assessments > \$778,000			
Single-Family	1,148	729	347
Total	1,148	729	347

State Circuit-Breaker property value threshold <= \$778,000. Renters, if included, use rent-based formula.

State Circuit-Breaker income limits <= \$58,000 (Single) and \$88,000 (Married).

About 402 housing units (21%) have been owned for more than 5 years and are below the threshold.

62% of these units are owned by someone 65 or older.

Analysis does not include residents of multi-family or rental housing who may have been Lincoln residents for more than 5 years and might qualify for the program if renters are included (125 units at Lincoln Woods, 308 units at The Commons and 388 rented Single-Family houses and Condos).

* analysis based on FY2019 data

Number of Households that might Benefit from a Residential Exemption*

	Totals	Owner-Occupied	Owner 65+	Owner-Occupied Owner 65+
All Housing Units				
Single-Family	1,522	1,243	538	533
Condos	401	292	170	170
Total	1,923	1,535	708	703
Housing Units with Assessments <= \$1,139,00				
Single-Family	960	775	377	374
Condos	401	292	170	170
Total	1,361	1,067	547	544
Housing Units with Assessments > \$1,139,000				
Single-Family	562	468	161	159
Total	562	468	161	159

FY2019 Residential Exemption threshold = \$1,139,000
 Owner-occupied housing units with assessments under the threshold would pay less tax, others would pay more.
 Percent of housing units that are owner-occupied = 80%
 Percent of housing units paying less = 55%
 Percent of housing units paying more = 45%
 Percent of those 65 and over paying less = 77%
 Percent of those 65 and over paying more = 23%

Analysis does not include multi-family or rental housing developments (125 units at Lincoln Woods and 308 units at The Commons). These units would not benefit from the Residential Exemption, but rents for affordable units would be subject to state limits.

* analysis based on FY2019 data

F. Survey Results, State of the Town 2019

The Committee distributed a feedback form at the November 2019 State of the Town meeting and collected 79 responses. Following is a synopsis of the results. Complete results, including individual comments, are posted at <http://www.lincolntown.org/DocumentCenter/View/58695/SOTT-2019-Property-Tax-Feedback-Form>

	Yes #/%	No #/%	Undecided #/%	Blank #/%	Total #/%
Do you support an Extended Circuit Breaker?	49/62%	20/25%	8/10%	2/3%	79/100%
Do you support the Residential Exemption?	21/27%	48/61%	10/13%	0	79/100%

of note:

- Of the 79 responses, 13 people said they supported both programs and 14 people supported neither program.
- Those who supported both were asked which program they viewed as their top priority. Of the 13 respondents, 9 named the Residential Exemption as their first priority, 2 chose the Extended Circuit Breaker, and 2 were undecided.

G. Proposed Home Rule Petition Language:

ARTICLE 12

To see if the Town will vote to authorize the Board of Selectmen to petition the General Court for special legislation substantially as on file with the Town Clerk, authorizing the Town to provide a local Property Tax Circuit Breaker program to homeowners and renters who meet certain income and asset tests, and who have resided in Lincoln for at least five years, provided, however, that the program would be 1) implemented by a vote of Town Meeting subsequent to approval by the General Court; and 2) subject to a Town Meeting vote to renew every three years; and, further provided, that the General Court may make clerical or editorial changes of form only to the bill, unless the Board of Selectmen approve amendments to the bill before enactment by the General Court that are within the scope of the general purpose objectives of this petition; or take any other action relative thereto.