

MEMORANDUM

To: Representative Town Meeting
From: RTM Finance Committee
Date: November 9, 2012
Re: Amendments to Chapter 54, Article II, Division 2 of the Code of Ordinances of the Town of Westport, Tax Relief for Senior Citizens or Permanently and Totally Disabled Persons

The RTM Finance Committee met on November 8th with Paul Friia and Joyce Gentilozzi from the Assessor's Office and Gary Conrad, Finance Director to discuss the proposed changes to the Tax Relief for Senior Citizens or Permanently and Totally Disabled Persons Ordinance. Other RTM members in attendance were Eileen Flug (chair of the Ordinance Committee), Don Bergmann and Catherine Calise.

Committee members beforehand reviewed the materials from the Assessor's Office including the proposed amendments as well as the additional changes as recommended by the Ordinance Committee. The Finance Committee decided to focus the meeting in the following areas:

- \$2 million cap: The Board of Finance ("BOF") when discussing the amendments at their October meeting suggested that the abatement program not be available to anyone whose home is worth more than \$2 million. While the BOF's suggestions are not binding, this one was added as an amendment by the Assessor's Office. The majority of the RTM Finance Committee felt that \$2 million was just an arbitrary number picked by the BOF and it possibly was a "backdoor" attempt to impose an asset test on the program. The impact of imposing this cap is small as currently only six homeowners fall into this category at a total annual cost to the town of approximately \$14,000. With the proposal to exclude net operating losses ("NOL"), probably three of the six would no longer qualify. The majority of the Committee felt that it was unfair to seniors who lived in their homes for many years, saw it appreciate greatly in value and have no assets to pay their high taxes (be house rich and cash poor). The dissenters felt that it was equally unfair to make taxpayers in lower valued homes to subsidize the taxes of those in expensive homes. The committee voted 3 to 2 to remove the cap [Section 54-64 (8)] with Wieser, Lowenstein and Schine voting yes and Bomes and McCarthy dissenting.
- Asset Test: The Committee discussed the appropriateness of adding an asset test (as several other towns do) to the program. The Committee could not decide on how to proceed with major questions in these areas:
 - Type of asset test (net worth, liquid assets, etc.)?
 - Amount of assets to become ineligible for abatements/deferrals?
 - How would asset declarations be verified by the Assessor's Office?

Paul Friia agreed to do more research into what other towns are doing and report back to the Committee early next year.

- Increase the abatement: The annual abatements ranging from \$1,000 to \$3,500 have not changed since 2005 even though the mill rate has increased by 26% during that period. The committee considered increasing the abatements by this amount which would cost annually an additional \$225,000 (net of the savings from the NOL change). The committee felt that it would not be appropriate to increase costs by this amount outside of the normal budget process. However, the committee felt that the \$75,000 savings from the NOL change should be put back into the program to make it revenue neutral, but could not decide whether to just increase the benefit to those in the lowest income bracket or spread it around all income levels. Paul will propose different options for the RTM to consider at the meeting.
- Cumulative deferral or deferral of annual increases only: The program currently allows those with incomes between \$75,000 and \$100,000 to defer the cumulative annual tax increases from the year when their eligibility started (base year). However, under the proposed amendment changes, only the current year increase could be deferred annually. While no qualified homeowners currently fall into this category, it is a proposed change that may warrant further debate by the RTM.

Following the discussion, the Committee voted unanimously (five to zero) to recommend that the RTM approve the proposed amendments to the ordinance as modified by the Ordinance Committee and further modified by the RTM Finance Committee.

Respectfully submitted,

RTM Finance Committee

Jeff Wieser, Chair

Allen Bomes, Reporter

Lee Arthurs (absent)

Arthur Ashman (absent)

Dick Lowenstein

John McCarthy

Gilbert Nathan (absent)

Lois Schine

Cathy Talmadge (absent)