Oregon's Senior Population Growth and Property Tax Relief Programs

RESEARCH REPORT # 7-01

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Summary

This report has two primary objectives:

- ⇨ Examine the 2000 census data trends in Oregon seniors over the last ten years between 1990-2000.
- ⇨ Summarize the property tax relief programs in U.S. states and the major trends and changes in Oregon's property tax relief programs.

The following are highlights from the report.

- ⇨ Property tax relief in Oregon has not been specially targeted to the low-income homeowners, who are predominately seniors.
- ⇨ Oregon's percentage growth in senior households over the past ten years, 1990-2000, has been the 12^{th} highest in the U.S.
- ⇨ Oregon is the only U.S. state, imposing a property tax and providing property tax relief to low-income senior homeowners exclusively through a property tax deferral program (excluding the disabled war veterans exemption).
- ⇨ Approximately 4% of the senior homeowners deferred their property taxes in 2000 and 12% of all senior renters received an Elderly Rental Assistance Refund
- ⇨ The 2001-03 appropriation for the Elderly Rental Assistance and non-profit homes for the elderly programs is likely to come in $2.6 million below projected claims causing smaller refunds beginning 2001-02.

Introduction

Even though property tax relief came to Oregon homeowners through Measure 5 and 50, during the 1990s, specific property tax relief for low-income individuals was not achieved in the statewide tax relief measures. Since Oregon ended the Homeowners Assistance and Renters Relief Program (HARRP) in 1991, the state legislature has considered numerous proposals to bring back some form of property tax relief for low-income residents. Typically, these property tax relief proposals are for low-income seniors due to the fact, that a large proportion of low-income homeowners, are seniors.

In 2000, Oregon's Tax Incidence Study also revealed the difference in tax burdens experienced by Oregon households' for various income levels. One result found in this study was that low-income households paid a higher effective tax rate primarily due to the regressive nature of the local property tax. Oregon seniors, aged 65 years and older, make up the highest portion of any age group in the lowest income categories. The Oregon Population Survey indicates that seniors comprise 32% of the households with incomes less than $21,000.

Currently, Oregon has an elderly rental assistance program, to provide financial assistance to low-income senior renters, and a property tax deferral program to allow low-income senior homeowners to defer payment on their property taxes. This report will explore these two major programs and their effectiveness in providing tax relief.

Population and Household Growth of U.S. States

Oregon's total population in 2000 grew to 3.42 million with an increase of 579,078 people, a 20.4% increase from the 1990 census. Oregon is ranked 11th in the U.S. in terms of percent change in population. Oregon's growth in total households increased by 25%, over the past ten years, which is the 6th fastest growth rate of any U.S. state. Oregon's senior households also increased significantly over the past ten years to 321,219 households, an 18% increase. When ranking U.S. states by the percentage growth in senior households from 1990-2000, Oregon is ranked 12th in the U.S.

As Table 1 reveals, all eight western states showed strong increases in total households over the past ten years. Nevada had the highest total and senior growth rates. In 2000, the census data indicated that both Oregon and California each had 9% of their senior households with income below the poverty level. Of all eight western states, 9% is the second highest poverty rate with only Arizona having a slightly higher poverty rate of 9.5% of senior households.

Table 1: Western States - Total and Senior Households and Growth from 1990-2000

	Total Households	% Change	Households with one member over 65 years old	% Change	% of senior households below poverty level
Oregon	1,374,061	25%	321,219	18%	9%
Washington	2,275,270	22%	457,388	14%	7.2%
California	11,385,156	10%	2,508,619	12%	9%
Idaho	468,279	30%	101,654	22%	8.8%
Alaska	224,406	19%	27,916	66%	7.2%
Nevada	744,452	60%	157,486	69%	7.8%
Utah	708,981	32%	134,856	29%	7.2%
Arizona	1,912,593	40%	466,944	40%	9.5%

Oregon's Senior Population Growth

Oregon's senior population, aged 65 years and older, grew statewide by 21,926 people, to 438,177 in 2000. This represents a 5.3% increase in seniors from the 1990 census information. Oregon's elderly population did not grow as rapidly as Oregon's total population, 20.4%. In 2000, Oregon's population, aged 65 years and older, comprised 13% of the total population of 3.42 million. Oregon seniors' portion of the total population declined 2% from the 1990 census information.

Figure 1: Number of Oregon Seniors (65 years and older) and the Annual Growth Rate from 1970-2000

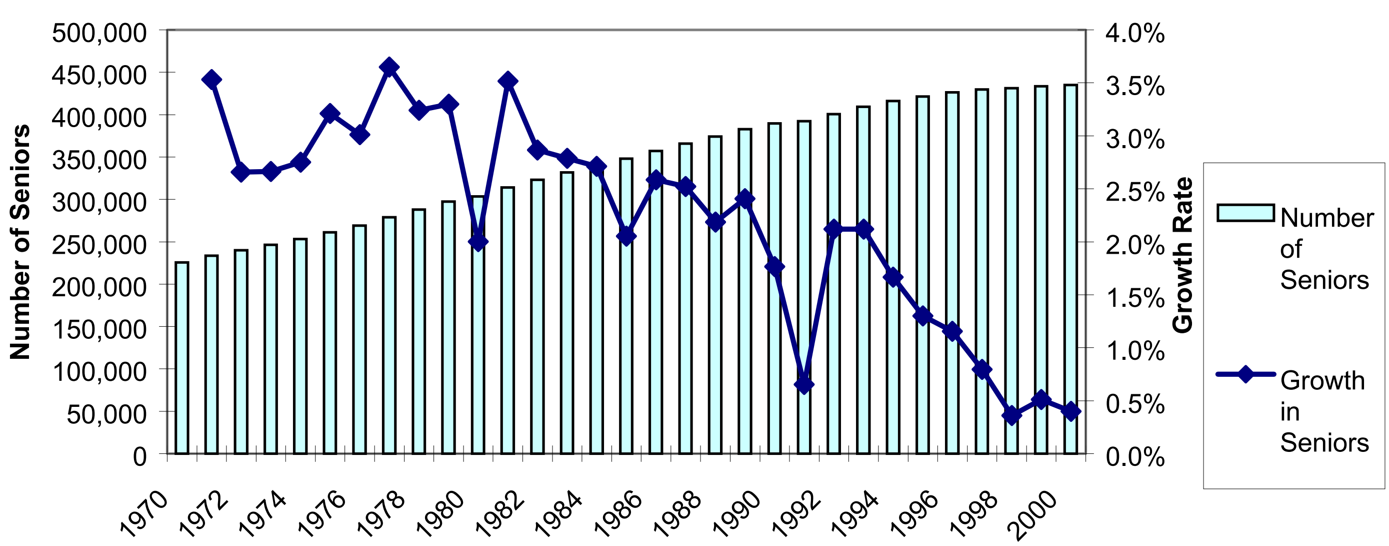
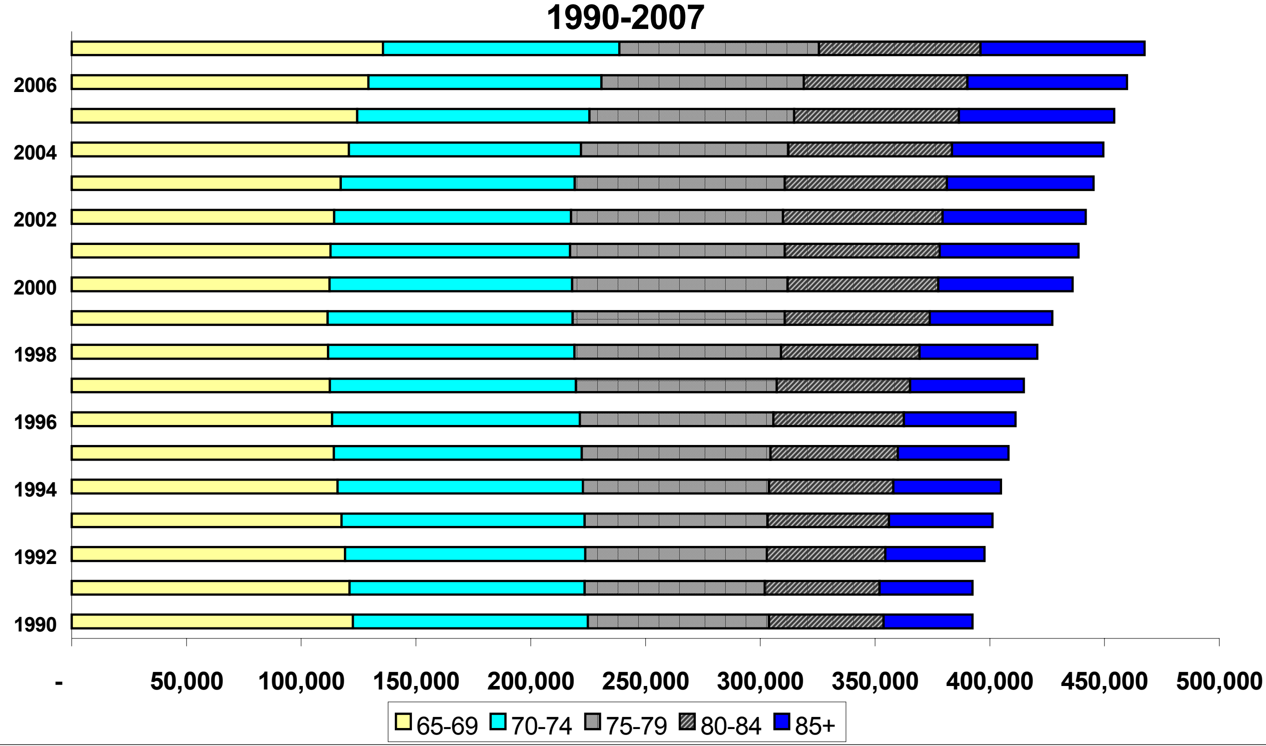


Figure 1 reveals the number of Oregon seniors (65 years and older) and the growth rate of seniors for the past 30 years from 1970-2000. In 2000 the U.S. census estimate of seniors in Oregon is 438,177. Even though the number of Oregon seniors has been growing annually over the past 30 years, the annual growth rate of seniors has been declining steadily since 1981. There were only 3 years, 1986, 1989 and 1992, which had an increase in the annual growth rate in the senior population over the prior year. Over the past 30 years, the annual growth rate has significantly declined from a high annual rate of 3.5% in 1982 to .5% in 1998. The annual growth rate of .5% is the lowest percentage in thirty years and the growth rate has remained at approximately .5% since 1998.

Figure 2 breaks the senior population into five age categories: 65-69, 70-74, 75-79, 80-84 and 85+. This graph illustrates the trends in the age groups over the last ten years as well as the Oregon Department of Administrative Services -Office of Economic Analysis September 2001 forecast of Oregon's population out to year 2007. In 2000, 26% of all Oregon seniors were between the ages of 65 and 69. This age category had the largest number of seniors but over the past ten years (1990-2000), this category of seniors has declined 8%, from 122,529 in 1990 to 112,307 in 2000. Between 1990-2000, the fastest growing group of seniors is the oldest seniors, aged 85 years and older, with a ten-year growth rate of 51%. Combining the two oldest groups of seniors, those over 80 years old, reveals a growth rate of 40% from 1990-2000 for those seniors. The overall growth in seniors of 5.3% is spurred by the rapid rise in the most elderly population in

Figure 2: Trends in Oregon's Senior Population By Age Groups - 1990-2007

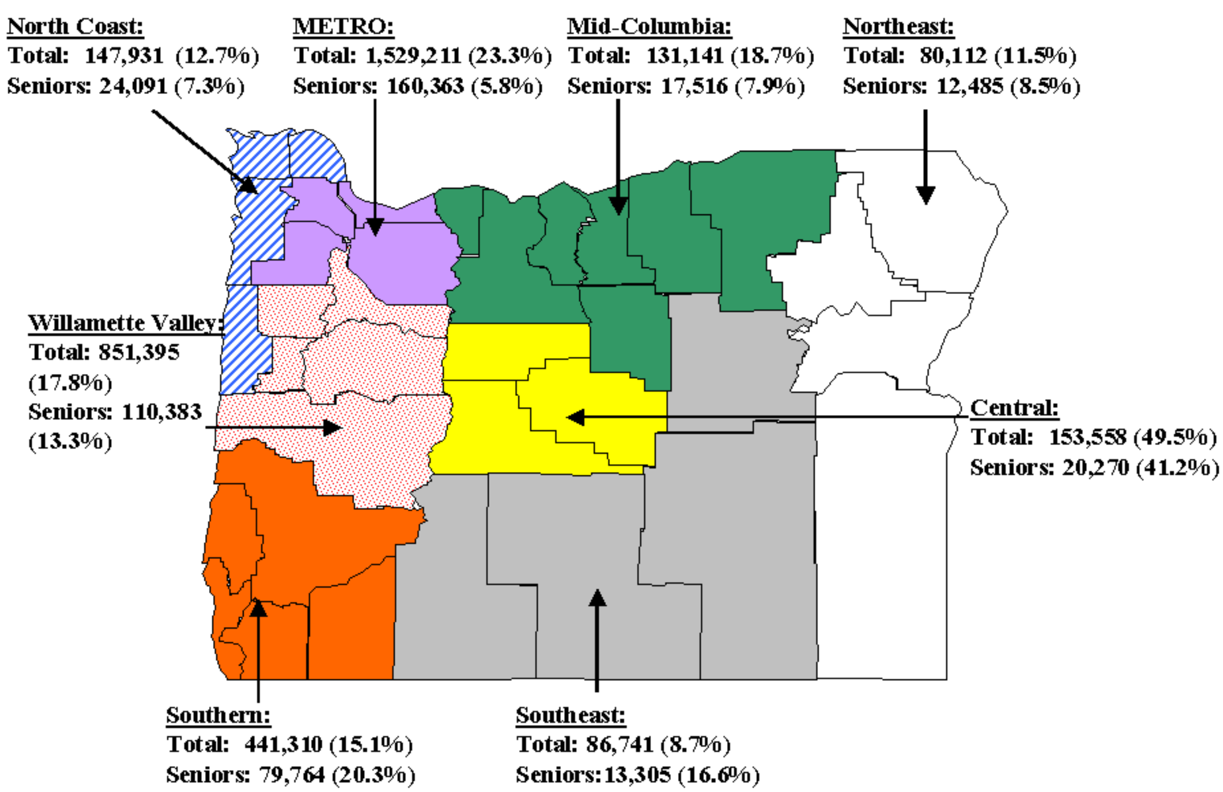


Oregon. The projections for the next seven years until 2007 reveal that the younger seniors aged 65-69 will be increasing in the near future.

Geographical Population Differences

The growth in the senior population in Oregon was fairly consistent throughout the state compared to the growth in total population from 1990-2000. Over the ten-year period, between 1990-2000, the total senior population in Oregon grew by 21,926 individuals. The increase in seniors comprised only 4% of the 579,078 additional people that reside in Oregon in 2000 versus ten years ago. In Figure 3, Oregon is divided into 8 regions: Central, Metro, Mid-Columbia, Willamette Valley, North Coast, Northeast, Southeast and Southern. This graph illustrates the average growth rate of the entire population as well as seniors, aged 65 and older, for the eight regions. The average growth rate ranged from 5.8% in the Metro region to 41.2% in the Central region. This range of average growth rates for seniors is similar to the average growth rate range of the total population from 1990-2000. The total population growth was between 8.7% in the Southeast and as high as 49.5% in the Central region. For both total and senior populations, the Central region had the highest percentage increases of more than 40%.

Figure 3: Total and Senior (65+) Population in 2000 and Growth Rates (1990-2000) - 8 Regions

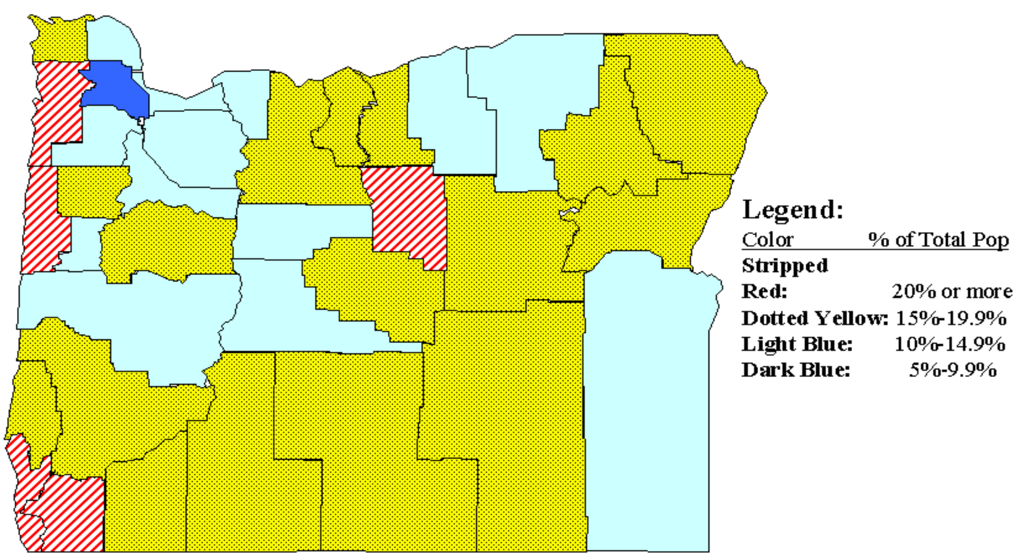


From 1990-2000, the Metro area had the second fastest growth rate of total population, 23%, among the eight regions but it also had the slowest growth rate of seniors, 5.8%. The southern and southeast regions' senior populations were growing at a faster rate than the total populations over the past ten years. This illustrates an aging population along the coast and southern communities.

Statewide seniors comprised 12.8% of the total population in Oregon in 2000. 37% of the senior population in Oregon is located in the Metro area. The Metro and Willamette Valley area seniors comprised 62% of all Oregon seniors in just nine counties. The average senior population as a percent of total population per region was 13%.

Figure 4, illustrates geographically where Oregon seniors had the largest percentage of total population by county from 2000 census data. In 2000, five counties, Wheeler, Josephine, Curry, Tillamook and Lincoln, all had more than 20% of their population aged 65 years and older. In contrast, Washington County's senior population as a percent of total population was less than 10%, the lowest percentage of any county in the state. In 2000, 17 counties had between 15% and 19% of their population over the age of 65 years old. This percentage has declined slightly or remained the same over the past ten years. The large majority of counties, 30, had senior populations as a percent of total populations between 10% and19%.

Figure 4: Seniors (65+) as a Percent of Total Population in 2000 By County

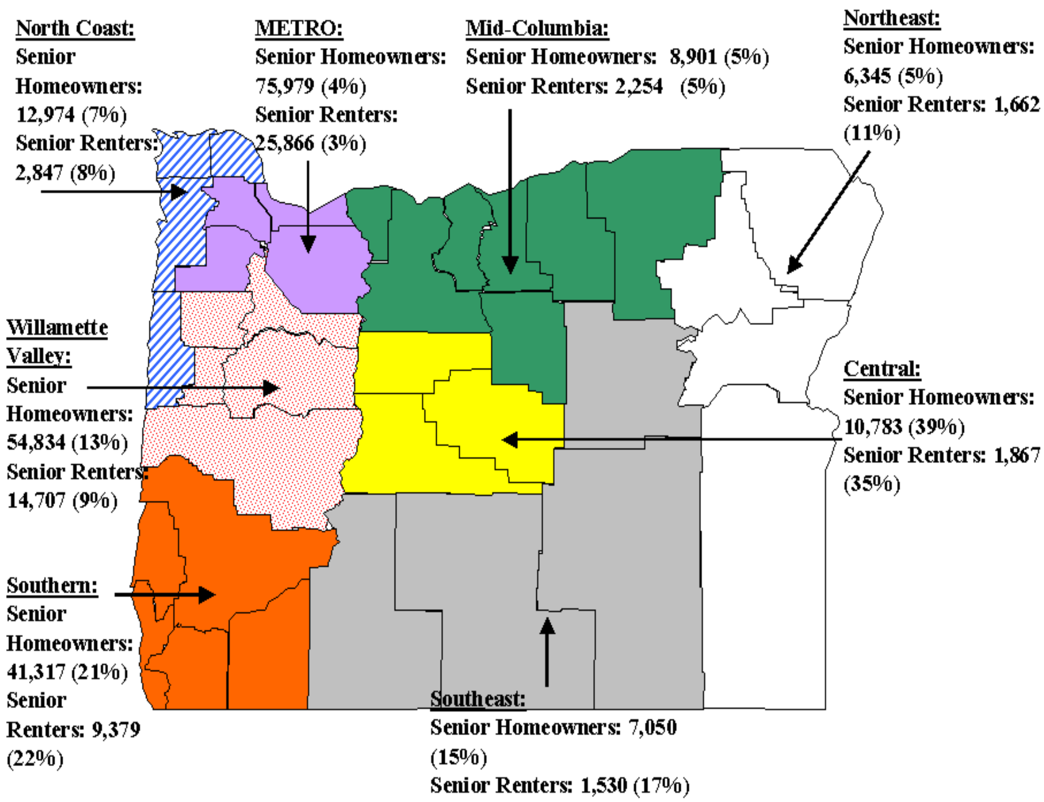


Oregon's Senior Household Growth

In addition to population data, the census survey provides a new estimate, every ten years, of the number of housing units or households in Oregon. Household information is very useful in analyzing tax policies pertaining to different age and income groups. In particular, the census data on households is divided into occupied housing units according to housing tenure, owners versus renters. This is particularly helpful in addressing tax policies specifically targeted at homeowners or renters.

In 2000, Oregon's senior population totaled 438,177. The number of households, with at least one member over the age of 65 years old, was 321,219. A small portion of these households, with senior members, is headed by individuals under the age of 65. According to the 2000 census data, there were 278,295 households headed by seniors, who either owned a home, 218,183 (78%), or paid rent for housing, 60,112 (22%). Figure 5 illustrates the number of senior households separated into homeowners and renters by regions. Most Oregon seniors, aged 65 years and older, are homeowners rather than renters. The percent of seniors, who are homeowners, ranged from 75-85% of total senior population, depending on the region of the state. Both senior renters and homeowners grew at similar rates between 1990 and 2000. Statewide, senior renters

Figure 5: Senior Homeowners and Renters in 2000 and Ten-Year Growth Rates (1990-2000) By Regions



increased by 9% and senior homeowners by 11%. Senior homeowners comprised 24% of all homeowners and 12% of all renters in 2000.

Table 2 highlights the number of senior households for the largest 25 cities in Oregon ranked by the number of total households in 2000. The 25 largest cities in Oregon comprised 40% of the 218,183 senior homeowners and 58% of the 60,112 rental housing occupied by Oregon seniors in 2000. On average, 71% of the seniors, in the 25 largest cities, are homeowners versus 29% who are renters. This is similar to all Oregon senior households where homeowners make up 78% of the households and 22% are renters. Seniors have a higher homeownership rate than other age group in the state. On average in 2000, only 64% of Oregon households were homeowners versus 36% who were renters.

Between 1990 and 2000, urban households in Oregon's 25 largest cities grew by 37%. This was faster than Oregon's total household growth of 26%. In 2000, Portland had 28,843 senior homeowners, a decline of 5% over the past 10 years. Portland also had a decline in senior renters of -10%. Besides Portland, Milwaukee was the only other Oregon city, with both a decline in senior renters and homeowners, while the number of all household owners and renters grew over the past ten years. Klamath Falls was the only other city with a decline in senior homeowners of -10%. Two other Oregon cities, Salem and Coos Bay, each had a fall in the number of senior renters from 1990-2000.

Bend had the largest percentage increase in senior homeowners, 145%, of any Oregon city. The city of Bend also had more than a 100% increase in both its total homeowners and renters. West Linn had the highest percentage growth in senior renters (132%). Eugene had the largest overall increase in seniors, 1,688 people over the past ten years. Medford had the largest increase in the number of senior renters, 655. Three cities, Beaverton, Lake Oswego and Tualatin, each had higher growth rates of senior renters and homeowners than the growth rate for all aged households over the past ten years. Coos Bay also has an aging homeowner population as the growth rate for senior homeowners was higher than the growth rate for all homeowners. Furthermore, cities like Albany, McMinnville, Ashland, Roseburg, West Linn, and Klamath Falls each had aging renter populations over the past ten years because the growth rate of senior renters is higher than the growth rate of all renters in the city. All other cities had a growth rate in the senior owners and renters, which was less than the growth rate of the total population.

Table 3 illustrates the number of senior households in Oregon aged 65-74 years old and those households with seniors aged 75 years or older for both the 1990 and 2000 census. The percent of senior households who are homeowners in the 65-74 years old category are 82.8% in 2000 and 81.8% in 1990. The percent of senior households who are homeowners in the 75 years or older category are 74.2% in 2000 and 73% in 1990. There has been very little change in the percent of elderly households over the last ten years. The census data reveals that as seniors get older, the number of homeowners

Table 2: Oregon's Largest 25 Cities Ranked by Total Households - 2000 Senior Households Divided by Homeownership

		Total Households				SENIOR (65+) Households			
Rank	**City**	**Owner**	**% Change 1990-2000**	**Renter**	**% Change 1990-2000**	**Owner**	**% Change 1990-2000**	**Renter**	**% Change 1990-2000**
1	Portland	124,767	26%	98,970	12%	28,843	-5%	11,036	-10%
2	Eugene	30,105	28%	28,005	23%	7,671	22%	3,141	6%
3	Salem	28,917	29%	21,759	17%	7,727	8%	2,940	-5%
4	Gresham	18,282	22%	15,045	41%	3,576	30%	1,780	15%
5	Beaverton	14,714	42%	5,590	-52%	2,596	47%	1,570	19%
6	Medford	14,372	34%	10,721	31%	4,531	29%	2,112	31%
7	Hillsboro	13,117	74%	11,962	125%	1,847	28%	902	52%
8	Bend	13,244	187%	7,818	100%	3,179	145%	824	71%
9	Springfield	10,987	28%	9,527	8%	2,609	6%	768	4%
10	Corvallis	8,809	22%	10,821	14%	2,289	15%	828	19%
11	Tigard	9,627	38%	6,880	35%	1,877	23%	787	21%
12	Albany	9,581	57%	6,527	15%	2,416	30%	1,024	24%
13	Lake Oswego	10,423	24%	4,346	7%	1,995	28%	635	19%
14	Keizer	7,840	45%	4,270	47%	1,920	30%	529	42%
15	Oregon City	5,661	84%	3,810	58%	1,040	38%	516	0%
16	Grants Pass	4,986	30%	4,390	33%	1,860	15%	976	23%
17	McMinnville	5,659	49%	3,708	32%	1,677	26%	649	33%
18	Tualatin	4,773	56%	3,878	47%	507	66%	301	55%
19	Milwaukie	5,157	12%	3,404	3%	1,276	-3%	557	-4%
20	Ashland	4,456	26%	4,081	23%	1,358	19%	535	60%
21	Roseburg	4,658	24%	3,579	19%	1,618	22%	673	31%
22	West Linn	6,412	41%	1,749	38%	887	37%	176	132%
23	Klamath Falls	3,906	9%	4,010	11%	1,072	-10%	619	13%

24 Coos Bay	3,876	8%	2,621	-1%	1,457	11%	408	-6%
25 Woodburn	4,215	29%	2,059	35%	1,883	1%	401	29%
Largest 25 cities	368,544	33%	279,530	19%	87,711	12%	34,687	7%
OREGON	856,951	23%	476,772	17%	218,183	11%	60,112	9%

Table 3: Senior Housing in Oregon - 1990 and 2000 Census Data

	2000 Census		**1990 Census**	
Age Category	**Number**	**% of Senior Households**	**Number**	**% of Senior Households**
Owner- Occupied Housing				
65-74	112,895	82.8%	115,871	81.8%
75 and older	105,288	74.2%	80,219	73%
Renter-Occupied Housing				
65-74	23,418	17.2%	25,797	18.2%
75 and older	36,694	25.8%	29,447	27%

declines and the number of renters rises. The percent of senior households who are renters in the 65-74 years old category is 17.2% where the percent of senior households who are renters in the 75 years or older category is 25.8%.

Summary of Oregon's Senior Population and Household Census Data

The following trends and conclusions can be drawn from analyzing the 2000 census data on Oregon's senior population and households.

- ⇨ Oregon's senior population has grown from 1990 to 2000 but the rate of growth has slowed.
- ⇨ Oregon's senior population is growing at a much slower rate than Oregon's overall population.
- ⇨ The oldest seniors, aged 85 and older, have been the fastest growing component of Oregon's elderly population over the past ten years.
- ⇨ The youngest seniors, aged 65-69, have declined in population over the past ten years but in the next ten years, this category of seniors is predicted to rise again.
- ⇨ Rural, southern and southeast counties, have the highest percentage of seniors as a portion of the total population.
- ⇨ Largely urban counties, like Washington County, have a smaller percentage of total population who are seniors.
- ⇨ On average, 78% of all senior households are homeowners and 22% are renters.
- ⇨ The city of Bend had the highest growth rate of senior homeowners, 145%, and the City of West Linn had the highest percentage growth rate of senior renters, 132%, for the past ten years, 1990-2000.
- ⇨ The city of Portland had a decline in both their number of senior homeowners,

-5%, and renters, -10%, over the past ten years.

- As seniors grow older, a larger portion of them sell their homes and become renters.

Elderly Property Tax Relief Programs

As senior households grow, the demand for property tax relief for seniors increases as well. U.S. states have used a variety of methods to assist seniors with property tax relief. Property tax relief policies can be placed into three categories: homestead exemption or reduction in local property taxes paid, state financed tax credits or deductions for property taxes paid on a home and property tax deferral programs.

U.S. States' Senior Property Tax Relief Programs

The information for U.S. states' property tax relief programs is from the 2000 AARP publication titled, "The State Economic, Demographic & Fiscal Handbook 2000." The author conducted a survey of 51 states to collect information on property tax relief programs. There are three categories of programs: homestead programs, circuitbreaker and tax deferral programs. Homestead property tax relief programs are reductions in the amount of assessed value subject to taxation. They also take the form of homestead credits, which are tax credits for the property taxes owed. Homestead programs do not benefit renters. In contrast, circuitbreaker programs are state financed tax credits that can assist either renters or homeowners or both. Often, the programs' benefits depend on a participant's household income. In most cases, the circuitbreaker programs are targeted at the low- and moderate-income homeowners and/or renters. Typically, there will be an income threshold that program participants must meet to qualify for a partial or complete property tax rebate. Property tax deferral programs allow elderly and disabled homeowners the opportunity to defer tax payments on all or part of their property taxes until the sale of the property or death.

Homestead Programs

In 2000, 45 states (88.2% of surveyed states) had some type of homestead property tax exemption. This is the most common form of property tax relief for homeowners among U.S. states. 11 states had a limited homestead exemption program due to the fact that the program was targeted at specific groups of residents like war veterans or the disabled population. Oregon is one of those states with a limited homestead exemption program, which provides partial property tax relief to disabled war veterans and surviving spouses of war veterans. Oregon's limited homestead partial tax exemption is state mandated but not funded by the state. The loss in property tax revenue is not backfilled by state funds.

Typically a state, with a homestead program, establishes a maximum program benefit. In many states the maximum benefit is a percent of the assessed value of the home that is exempt. 18 states also had an income or asset limitation, which restricted the homestead program. Generally, the maximum benefit is higher for low-income participants. Other states' homestead exempt value benefit increases for seniors, veterans and disabled homeowners. Hawaii has a higher homestead exempt amount of the assessed value as seniors grow older. Other states like, Kansas, Delaware and Arizona, exempt the school property taxes only.

The six states, which do not have a homestead exemption, are the following: Arkansas, Colorado, Missouri, Nebraska, North Dakota and Washington. Each of these states have a state financed circuitbreaker program. A few states have both a

circuitbreaker and deferral program. Of all states, which had a homestead tax relief program, 31 states also had a circuitbreaker program in 2000.

Circuitbreaker Programs

In 2000, 36 states, (71%) had a circuitbreaker program. The state funded tax credit or refund payment is available to homeowners and renters in 27 states. 8 states

provided a tax credit for homeowners only. Oregon is the only state to provide tax refund payments for senior renters only. All other states, with circuitbreaker programs, designed the policies to provide some property tax relief to homeowners. All states have established a maximum income or asset threshold that individuals qualifying for the tax relief program must meet. In combination with the income requirement, 6 states also imposed a home value, asset or household net worth test for eligibility in the tax credit program. States traditionally establish a maximum benefit for a tax credit program.

Oregon's circuitbreaker type program is the Elderly Rental Assistance Program. This program has a maximum household income limit of $10,000 per year that senior renters must meet in order to qualify. Out of the 37 states with circuitbreaker programs, only 3 states, Arizona, South Dakota and West Virginia, have a maximum household income limit below $10,000 in 2000. The remaining states, with circuitbreaker programs, have the same or higher household income limits than Oregon's Elderly Rental Assistance Program.

Tax Deferral Programs

In 2000, a property tax deferral program existed in 24 states, (47% of surveyed states). Most tax deferral programs are restricted to seniors and disabled individuals. Only two states, Florida and Pennsylvania, as well as Washington DC have deferral programs for all state homeowners who meet the other program requirements. All but six states with tax deferral programs have a household income limit or a restriction on the amount of property tax as a percent of income to qualify for the program. Some states restrict the total amount of tax a program participant can defer each year. Florida allows seniors to defer property taxes in excess of 3% of household income.

In all 24 states with a tax deferral program, each state also had either a circuitbreaker or homestead program or both. 18 states, 75% of the 24 states with deferral programs, also had both circuitbreaker and homestead programs. 3 states had a homestead exemption and tax deferral program and 3 states had a circuitbreaker and tax deferral program.

In summary, Oregon has a limited homestead program, targeted at disabled war veterans and surviving spouses of war veterans, a circuitbreaker program for renters only and a property tax deferral program for seniors. Most all other U.S. states, besides

Table 4: U.S. States Property Tax Relief Programs in 2000

	Homestead Exemption or Credit			Circuitbreaker Program			Tax Deferral
	Limitations			Limitations			
	Eligibility	Income & Asset	Maximum benefit	Owner/ Renter	Eligibility	Income & Asset	
AL	65	state AGI < $12,000	$5,000 AV on local taxes + all state taxes	NONE			NO
	any age	federal AGI < $7,500	Full exemption on local + state taxes				
AK	any age		local option exemption up to $10,000 of AV	NONE			NO
	65 or disabled veteran + spouse		$150,000 of AV				
AZ	any age		35% of school taxes for operating costs up to $500	BOTH	65	$3,750 *	YES
AR	NONE			Homeowner	62	$30,000	NO
CA	any age		$7,000 of AV	BOTH	62	$33,993	YES
	Disabled Veteran	no income limit	$40,000 of AV	Renter		$26,573 *	
	Disabled Veteran	Income < $24,000	$60,000 of AV				
	Totally Disabled Veterans		$100,000 of AV				
	Totally Disabled Veterans	Income < $24,000	$150,000 of AV				
CO	NONE			BOTH	58	$11,000 *	YES
CT	65 or totally disabled		local option property tax relief	BOTH	65	$23,900 *	NO
DE	65		Up to 50% tax credit or $500 for school taxes	NONE			NO
DC	65	Income < $100,000	$30,000 of AV + 50% reduction of taxes	BOTH	All ages	$20,000	YES
FL	any age		$25,000 of AV	NONE			YES
	Disabled		$25,500 of AV				
	Totally Disabled	Income < $17,334	Full exemption				
	Totally Disabled Veterans	no income limit	Full exemption				
GA	any age		$2,000 AV + tax credit for property taxes on $4,000 of AV	NONE			YES
	65	Income < $10,000	$4,000 of AV				
	62	Income < $10,000	$10,000 of AV				
	62		$43,000 of AV				
HI	under 55		$40,000 of AV	Homeowner	55	$20,000	NO
	55-59		$60,000 of AV				
	60-64		$80,000 of AV				
	65-69		$100,000 of AV				
	70+		$120,000 of AV				
	Disabled		$25,000 of AV to full exemption				
	Disabled Veterans		Full exemption				
ID	any age		$50,000 of AV or 50% of AV for improvements (lesser)	Homeowner	65	$19,570	NO
IL	any age		Up to $45,000 of cash value for improvements for 4 years; Up to $4,500 equalized AV based on increases since 1977	BOTH	65	$21,218 *	YES
	65		Additional $2,000 or $2,500 equalized AV				
	Disabled Veterans		Up to $58,000 of AV on homes purchased w/ federal funds				
IN	any age		10% of tax + deduction of $2,000 of AV or 50% of total AV (lesser)	NONE			NO
	65	Income < $25,000 + Assets < $23,000	$2,000 of AV or 50% of AV				
	Disabled or Blind	Income < $17,000	$2,000 of AV or 50% of AV				
IA	any age		$4,850 of AV	BOTH	65	$16,665	NO
	Disabled Veterans	Income < $25,000	Full exemption				
KS	any age		$20,000 of AV for school property taxes only	BOTH	55	$25,000	NO
KT	65		$25,400 of AV	NONE			NO
LA	any age		$7,500 of AV	NONE			NO

	Homestead Exemption Limitations			Circuitbreaker Program Limitations			Tax Deferral
	Eligibility	Income & Asset	Maximum benefit	Owner/ Renter	Eligibility	Income & Asset	
ME	any age		$7,000 of AV	BOTH	62 (seniors) or 55 (disabled)	$27,400 *	YES
	Blind		$4,000 of AV				
	WWI Veterans aged 62 or older		$7,000 of AV				
	Other Veterans aged 62 or older		$5,000 of AV				
	Disabled		$47,500 of AV				
MD	any age		state benefit: Growth above 10% increase in AV; local benefit is set locally	BOTH	60	Household net worth: $200,000	YES
MA	70	Income < $13,000 *	$4,000 of AV or $500 (whichever is greater)	BOTH	65	$40,000 * + Home Value < $400,000	YES
	70	no income limit	$2,000 of AV or $175				
	Blind		$5,000 of AV or $437.50 (whichever is greater)				
	Disabled (paraplegic)		Full exemption				
MI	Disabled Veterans		Full exemption	BOTH	All ages	$82,650	YES
MN	any age		40% of all taxes on first $76,000 of AV; max credit up to $390	BOTH	All ages	Owners: $71,410 Renters: $41,650	YES
	Disabled		73% of all taxes on first $32,000 of RMV; 40% of tax on $44,000 of RMV				
MS	under 65		up to $240 maximum tax credit	NONE			NO
	65 or disabled		$6,000 of AV				
MO	NONE			BOTH	65 or disabled	$25,000 *	NO
MT	any age	no income limit	27.5% of the property's RMV in 2001 and $31% in 2002	BOTH	62	$45,000	NO
	Totally Disabled	no income limit	Full exemption	Homeowner	All ages	$15,946 *	
NE	NONE			Homeowner	65	$24,900 * Home Value < $95,000	NO
				Homeowner (disabled)	all ages	$27,400 * Home Value < $110,000	
NV	Disabled Veterans	no income limit	Up to $10,000 of AV	BOTH	62	$22,425	NO
	Widows, orphans and Veterans		$1,000 of AV				
	Blind		Up to $3,000 of AV				
NH	65	$13,400 * +assets < $35,000	Equal at least $5,000 of AV	NONE			YES
	Disabled Veterans	no income limit	Up to $1,400 tax credit				
	Blind	no income limit	$15,000 of AV				
NJ	65 or Totally Disabled	income < $10,000	Homestead Credit: $250 property tax deduction	BOTH	65 or disabled	$100,000	NO
	Veterans or Widows	no income limit	Homestead Credit: $100 property tax deduction	BOTH	all ages	Homeowners: $40,000 Renters: $100,000	
	any age	no income limit	40% of the school taxes paid in 1997 on $45,000 of equalized AV				
NM	any age	no income limit	$2,000 of AV	BOTH	65	$16,000	NO
NY	65	income < $60,000	exemption of $50,000 of AV for school property taxes	BOTH	all ages	$18,000 Home Value < $85,000	NO
	any age	no income limit	exemption of $30,000 of AV for school property taxes NYC residents: tax credit off income taxes based on school taxes				
	65	income < $28,899	Exemption from 5% to 50% of AV for owners w/ income < $20,500				
	Veterans	no income limit	Exemption on 15% of AV up to $12,000; Applies to non-school taxes				

	Homestead Exemption			Circuitbreaker Program			Tax Deferral
	Limitations			Limitations			
	Eligibility	Income & Asset	Maximum benefit	Owner/ Renter	Eligibility	Income & Asset	
NC	65 or disabled	income < $15,000	Exempt on first $20,000 of AV	NONE			NO
	Disabled Veterans		Exempt for $38,000 of AV				
ND	NONE			BOTH	65	$14,000 + Assets < $50,000	YES
OH	any age	no income limit	12.5% of property taxes	Homeowner	65	$23,300	NO
OK	any age	no income limit	$1,000 of AV	Homeowner	65	$12,000	NO
	any age	income < $20,000	$2,000 of AV				
OR	disabled war veteran	$8,778 *	$9,013 of AV *	Renters	58	$10,000	YES
	service connected disabled veteran	$8,778 *	$12,020 of AV *				
PA	any age		local option - exempt up to 50% of median AV for school taxes	BOTH	65 or disabled or 50 & (surviving spouse)	$15,000	YES
	service connected disabled veteran		Full exemption				
RI	Veterans		$1,000 of AV	BOTH	65 or disabled	$30,000	NO
	Blind		$18,000 of AV				
SC	any age	no income limit	$100,000 RMV for school operating taxes only	NONE			NO
	Disabled or Blind		$50,000 of RMV				
	Disabled Veterans or Paraplegics	no income limit	Full exemption + value of one acre of land				
SD	Paraplegics	no income limit	Full exemption	BOTH	65 or disabled	$9,500 * $12,500 **	YES
				Homeowner	65 or disabled	$5,758 *	
TN	65 or disabled	income < $11,510	Tax credit: based on the first $18,000 of RMV or max AV of $4,500	NONE			YES
TX	any age	no income limit	$15,000 of AV for school taxes and $3,000 for county taxes	NONE			YES
	65 or disabled	no income limit	$25,000 of AV for school taxes and $3,000 for local taxes + option up to 20% of AV				
UT	Disabled Veteran	no income limit	Up to $82,500 of AV	BOTH	65 or Widowed	$22,422	YES
	Blind	no income limit	Up to $11,500 of AV				
	Indigent hardship	income < $22,422	local option: up to 50% of tax, up to $598				
VT	Disabled Veterans	no income limit	$10,000 of AV	BOTH	all ages	$47,000	NO
				Homeowner	all ages	$88,000	
VA	65 or disabled	income < $30,000 and net worth < $100,000	Full exemption	NONE			YES
	65 or disabled	income < $52,000 and net worth < $195,000	Exemption from certain cities and counties' taxes				
WA	NONE			Homeowner	61 or disabled	$30,000	YES
WV	65 or disabled	no income limit	$20,000 of AV	BOTH	65	$5,000	NO
WI	any age	no income limit - both homeowners & renters	$300 tax credit on income taxes	BOTH	all ages	$24,500	YES
WY	Veterans	no income limit	$2,000 of AV	Homeowner	all ages	180% of federal poverty level	YES
	Disabled Veterans	no income limit	$4,000 of AV				

NOTE: * single ** married
Source: "The State Economic, Demographic, & Fiscal Handbook 2000" by David Baer

Oregon, have some type of property tax relief program (homestead exemption or circuitbreaker) for senior homeowners rather than or in addition to a property tax deferral program. In contrast to Oregon, most states have a property tax relief program targeted at senior homeowners.

Historical and Recent Trends to Oregon's Tax Relief Programs

Between 1973 and 1991, Oregon had a homestead and renters relief program. Currently in Oregon, there are two primary programs targeted at low-income seniors: the property tax deferral program and the Elderly Rental Assistance program. In addition, state and local governments fund property tax exemptions for certain homes and housing complexes, which serve Oregon seniors. This report highlights the state funded property tax exemption for non-profit homes for the elderly.

<u>Senior Property Tax Deferral Program</u>

Oregon began the first property tax deferral program in the U.S. in 1963 for Oregon's elderly. Homeowners, age 62 or older, can defer payment on their property taxes until the owner dies or sells the property. The state pays the property tax and places a lien on the property for the tax and accrues simple interest at 6% per year. From 1963 until 1983, the property tax deferral program did not have a maximum income limit. Since 1984, the program has targeted low-income seniors. Each senior's household income must be less than an initial household income threshold in the year prior to applying. Then, once the senior qualifies for the tax deferral program, a taxpayer may defer taxes in years when the household's federally adjusted gross income, in the prior year, is less than a maximum income threshold. These income thresholds for the program will both be $32,000 beginning 2001-02 and indexed to annual changes in inflation. Once a senior qualifies for the tax deferral program, the senior chooses annually whether to defer his/her taxes. The property tax deferral program was also expanded to include the disabled population beginning tax year 2001-02. There is not an age requirement for disabled individuals.

Oregon's senior property tax deferral program had a rising number of participants in the program each year from 1973-74 until 1989-90, see Table 5. The number of seniors participating in the tax deferral program is dependent on two major factors the amount of property taxes each senior must pay and the interest rates in the U.S. As interest rates in the U.S. and property taxes in Oregon rose from 1973-90, so did the number of participants in the tax deferral program. Finally, in 1989-90, the number of seniors deferring their property taxes hit a high of 13,165 participants and an average property tax deferral amount of $1,513 per senior. At the end of 1990, Oregon voters, to provide statewide property tax relief, approved Measure 5. Every tax year since then, with the exception of tax year 1997-98, the number of seniors participating in the senior deferral program has declined. For the past ten years between 1990 and 2000, the number of seniors participating in the deferral program has declined by 4,154 seniors, which is a reduction of 32%. This is a sharp contrast to the total number of Oregon senior homeowners increasing by 11% over the same time period.

Throughout the 1990s, as the number of participants in the deferral program and the average property tax amount per senior declined, the total amount of property taxes paid to Oregon counties fell below the total taxpayers' repayments. Since tax year 1992-93, annually the amount of taxpayers' repayments have exceeded total taxes paid to counties for property taxes deferred. The difference between the repayments and taxes paid to counties grew 448% between 1992-2001 in 9 tax years to $7.67 million in 2000-01. Annually, on average over the past nine tax years, the percentage growth in net

Table 5 : Property Tax Deferral Program - 1977-2003

	PROPERTY TAXES		($ 000)	($ 000)	SENIOR REPAYMENT	GENERAL FUND
FISCAL YEAR	PAID ACCTS.	AVE. PAID	TOTAL TAX PAID	SENIOR REPAYMENT	LESS TOTAL TAX PAID	APPROP. OR RETURNED AMT.
1964-77 Incomplete data						($ 000)
1977-78	814	807	657	66	-591	
1978-79	1,976	845	1,676	273	-1,403	
1979-80	4,000	645	2,649	370	-2,279	
1980-81	6,046	723	4,438	559	-3,879	
1981-82	7,097	917	6,614	833	-5,781	
1982-83	8,827	1,103	9,992	1,529	-8,463	
1983-84	10,976	1,181	13,275	3,864	-9,411	
1984-85	11,603	1,236	14,710	4,018	-10,692	
1985-86	12,228	1,261	15,785	5,859	-9,926	8,400
1986-87	12,632	1,282	16,480	9,320	-7,160	8,007
1987-88	12,738	1,430	18,493	9,934	-8,559	10,200
1988-89	13,092	1,463	19,410	11,117	-8,293	9,100
1989-90	13,165	1,513	20,164	15,347	-4,817	10,227
1990-91	12,976	1,398	18,387	15,603	-2,784	3,000
1991-92	12,039	1,449	17,685	17,051	-634	2,000
1992-93	12,181	1,387	17,085	18,484	1,399	2,000
1993-94	11,681	1,358	16,058	20,022	3,964	1,283
1994-95	11,216	1,299	14,740	18,352	3,612	1,283
1995-96	10,763	1,235	13,519	18,714	5,195	(5,000)
1996-97	10,520	1,380	14,703	19,901	5,198	(5,000)
1997-98	10,823	1,207	13,978	17,201	3,223	0
1998-99	9,769	1,272	12,832	21,719	8,887	0
1999-00	9,184	1,345	12,438	19,541	7,103	0
2000-01	8,822	1,397	12,320	19,991	7,671	(17,000)
2001-02	9,176	1,464	13,435	19,312	5,877	0

2002-03	9,600	1,535	14,737	19,300	4,563	0
2003-04	9,700	1,597	15,486	19,479	3,993	0
2004-05	9,800	1,660	16,272	19,750	3,478	0

NOTE: Shaded area represents the Department of Revenue forecasts

revenue from the tax deferral program has been 56%. The Department of Revenue costs to administer the program are approximately $1.2 million per year. Since 1995-96, the tax deferral program has not needed a general fund appropriation. In fact in recent years, the Department of Revenue has returned a portion of the tax deferral program's revolving fund to the state general fund. In 2001, the Department of Revenue provided $17 million to the general fund from the property tax deferral program revolving account. As of July 2001, the revolving fund account for the property tax deferral program had $34 million. The Department of Revenue forecasts the difference between total tax repayments and taxes to counties from the deferral program to be $10.4 million in the 2001-03 biennium and $7.4 million in the 2003-05 biennium.

Seniors, living in the Portland Metro area, make up a large portion of the senior deferral program participants. Senior deferral program participants in Multnomah County alone represent 26% of all deferral program participants. All Portland Metro area seniors, those in Multnomah, Clackamas and Washington counties, comprise 42% of all deferral program participants in 2000. One of the main reasons for this higher participation in the Portland Metro area is because homes have higher assessed values and higher property taxes than other areas of the state. Table 6 illustrates the total number of senior deferral program participants by county compared to the total number of senior homeowners in 2000. The number of seniors deferring their property taxes was only 4% of all senior homeowners statewide. The percent of all senior homeowners deferring their property taxes ranged from 1% to 7%. Sherman, Lake and Grant, were the only counties with 1% of their senior homeowners participating in the tax deferral program. Multnomah County had the highest percentage of senior homeowners, 7%, participating in the tax deferral program of any Oregon county.

Homeowners and Renters Refund Program (HARRP)

Oregon's first property tax reduction program was the Homeowners and Renters Refund Program (HARRP), created in 1973, to provide property tax relief to low- and middle-income Oregonians. It was designed to help all low-income homeowners. The program refunded property taxes paid up to a maximum for each income group. Initially in 1973, HARRP refunds were restricted to Oregon households with an annual household income below $15,000. This limit was raised two times: to $16,000 in 1977 and $17,500 in 1979. Between 1980 and 1989, the average total HARRP refunds paid out annually was $67.7 million and the average number of HARRP returns were 327,802 per year. In 1989, an asset test was added to the program for participants under the age of 65 years old. A HARRP participant's household assets could not exceed $25,000 unless the owner was over the age of 65 years old. In 1990, the household income limit on the HARRP program was later decreased to $10,000 and the maximum refund schedule was decreased. The HARRP property tax relief program was eliminated in 1991 due to growing concerns about the cost of the program and the need for the assistance program once Measure 5, property tax limitation measure, went into effect beginning 1991-92.

TABLE 6: Oregon Senior Owners and Renters - Participants in the Tax Deferral and Elderly Rental Assistance Programs In 2000

	2000 Senior Owners	Property Tax Deferral Participants	Deferral Participants as % of all Owners	2000 Senior Renters	Elderly Rental Assistance	ERA as % of all senior Renters
Baker	1,684	36	2%	382	36	9%
Benton	4,009	116	3%	994	77	8%
Clackamas	18,616	716	4%	5,163	402	8%
Clatsop	2,889	112	4%	805	108	13%
Columbia	2,740	105	4%	519	29	6%
Coos	6,325	298	5%	1,414	174	12%
Crook	1,560	84	5%	252	52	21%
Curry	3,101	85	3%	515	32	6%
Deschutes	7,956	306	4%	1,410	120	9%
Douglas	9,381	275	3%	1,849	235	13%
Gilliam	207	4	2%	32	*	N/A
Grant	711	9	1%	105	*	N/A
Harney	620	13	2%	109	11	10%
Hood River	1,232	25	2%	420	21	5%
Jackson	14,456	500	3%	3,989	374	9%
Jefferson	1,267	66	5%	205	18	9%
Josephine	8,054	185	2%	1,612	156	10%
Klamath	5,021	192	4%	1,165	96	8%
Lake	698	10	1%	151	10	7%
Lane	21,877	777	4%	5,628	656	12%
Lincoln	4,636	210	5%	1,096	144	13%
Linn	7,598	368	5%	1,971	226	10%
Malheur	2,105	34	2%	639	65	N/A
Marion	17,067	638	4%	4,958	590	12%

Morrow	638	9	1%	101	*	N/A
Multnomah	34,464	2,305	7%	12,980	2,496	19%
Polk	4,283	163	4%	1,156	100	9%
Sherman	222	3	1%	28	*	N/A
Tillamook	2,709	82	3%	427	34	8%
Umatilla	4,415	109	2%	1,156	90	8%
Union	1,832	46	3%	499	55	11%
Wallowa	724	13	2%	142	24	5%
Wasco	1,993	68	3%	481	26	5%
Washington	18,144	745	4%	6,484	457	7%
Wheeler	194	6	3%	36	*	N/A
Yamhill	4,755	168	4%	1,239	114	9%
Other (*)					34	
OREGON	**218,183**	**8,881**	**4%**	**60,112**	**7,062**	**12%**

* represents refunds which did not have a county identified or are from outside Oregon

Elderly Rental Assistance Program

In 1975, the Elderly Rental Assistance (ERA) program was created as an alternative to HARRP for low-income senior renters. When the program was first created, initially an individual had to be at least 58 years old, live in a housing complex that is not property tax exempt and meet the household income limit to qualify for the program. The ERA refund payment equals the rent, fuel and utility expenses, up to $2,100, minus a certain percent of the participant's household income. A senior renter in the ERA program can claim up to 3 prior years of refunds, in addition to the current year.

Between 1980 and 1989, ERA returns declined from 4,699 to 1,045 returns. This reduction represents a 75% reduction in ERA participants in nine years. In 1989, the same asset test for HARRP participants was also applied to ERA program participants. If an ERA participant is under age 65, the person's household assets can not exceed $25,000. After the HARRP policy changes in 1989 and 1990, the number of ERA participants increased ten fold to 11,372 returns in 1990. This increase was due to former HARRP program senior renters switching to the ERA program. In 1991, while the Legislature ended the HARRP program, it expanded the ERA program to provide better benefits for low-income senior renters. The program's household income limit was raised from $5,000 to $10,000 and the percent of household income was reduced from 40% to 20% to allow for larger ERA refunds. Even with the policy changes in 1991, the number of participants in the ERA program declined during the 1990s. The number of ERA returns dropped from its highest number of participants in 1990 of 11,372 to a low of 7,062 in 2000. This corresponds to a loss of 38% of the returns in 10 years.

Prior to tax year 2001-02, the number of ERA returns has stabilized at around 7,300 returns, see Figure 6. A primary reason for the decline in the ERA participants during the 1990s, was that the income threshold had not been increased for more than 10 years. The maximum household income threshold to qualify for the program of $10,000 is significantly below the property tax deferral program initial threshold of $32,000 beginning in 2001-02. The ERA household income threshold is also not indexed to changes in inflation. In addition, a large number of senior renters live in housing complexes or homes, which are already property tax exempt, so those seniors do not qualify for receiving ERA refunds.

In 2001, the number of the ERA participants increased 12% from the prior year to 7,900 seniors. The primary reason for the rapid increase in ERA payments is due to a large mailing to seniors, in early 2001, which described the upcoming changes to the ERA program. This outreach to seniors was effective in informing additional low-income senior renters about the ERA assistance program. In tight budget years like 2001-03, if the ERA and non-profit homes for the elderly programs' appropriation is less than the revenue necessary to pay all program claims, then the claims must be pro rated. This reduces each senior's ERA refund amount.

Oregon’s Elderly Rental Assistance Program provides seniors with a refund payment instead of deferring property taxes like the tax deferral program. Table 6 reveals that the ERA program has a higher participation rate among elderly renters than the property tax deferral program does among senior homeowners. In 2000, there were 7,062 seniors, 12%, receiving ERA payments out of 60,112 renters. Crook County had the highest participation rate in the ERA program, 21% of all senior renters in the county received an ERA payment in 2000. Multnomah County also had a large portion of their senior renters, 19%, receiving ERA refunds in 2000. In addition to Crook and Multnomah counties, there were nine other counties that had 10% or more of their senior renters participating in the ERA program.

State Funded Property Tax Exemption for Homes Serving Seniors

Non-Profit Homes for the Elderly (State Funded)

This program was enacted in 1977 to assist private non-profit corporations to provide permanent housing, recreation, social facilities and care to elderly persons. The elderly homes must be built or acquired after January 1, 1977 by a private non-profit corporation and receive subsidies under certain federal and state housing programs. The corporation, receiving the property tax exemption, must charge rents that reflect the property tax savings. A claim must be filed with the county assessor for the exemption and the state pays the counties for a complete or partial property tax exemption for qualified homes This property tax exemption for non-profit homes for the elderly indirectly provides relief to seniors through lower monthly rents.

Table 7: Number of Non-Profit Homes for Seniors Receiving a Property Tax Exemption - 1993-2003

Fiscal Year	Number of Homes	% Growth in Number of Homes	Total Payments ($)	Average Payment per Home ($)
1993-94	18		615,892	34,216
1994-95	25	39%	648,247	25,930
1995-96	28	12%	663,558	23,699
1996-97	31	11%	759,609	24,504
1997-98	32	3%	746,907	23,341
1998-99	34	6%	827,729	24,345
1999-00	36	6%	901,428	25,040
2000-01	38	6%	1,009,436	26,564
2001-02	39	3%	1,077,453	27,627
2002-03	41	5%	1,178,012	28,732

NOTE: Shaded area represents the Department of Revenue forecasts

During the 1990s, the number of homes qualifying for this exemption has steadily increased. In 1993, there were only 18 elderly homes claiming a property tax exemption. By 2001, the number of homes had grown to 39, see Table 7. This is an increase of 117% over eight years. The average refund per home was $26,564 in 2000. In 2001, there are 39 homes receiving a property tax exemption spread out throughout Oregon in 17 counties. 10 of these homes are in Multnomah County. 9 counties had just one non-profit home for the elderly per county.

2001 Legislative Changes to Property Tax Relief Programs and Projected Costs

Elderly Rental Assistance and Non-profit Homes for the Elderly

The 2001 legislature passed two bills, SB 425A and HB2208B. Each measure had components changing the administration of the Elderly Rental Assistance (ERA) Program and Non-Profit Homes for the Elderly:

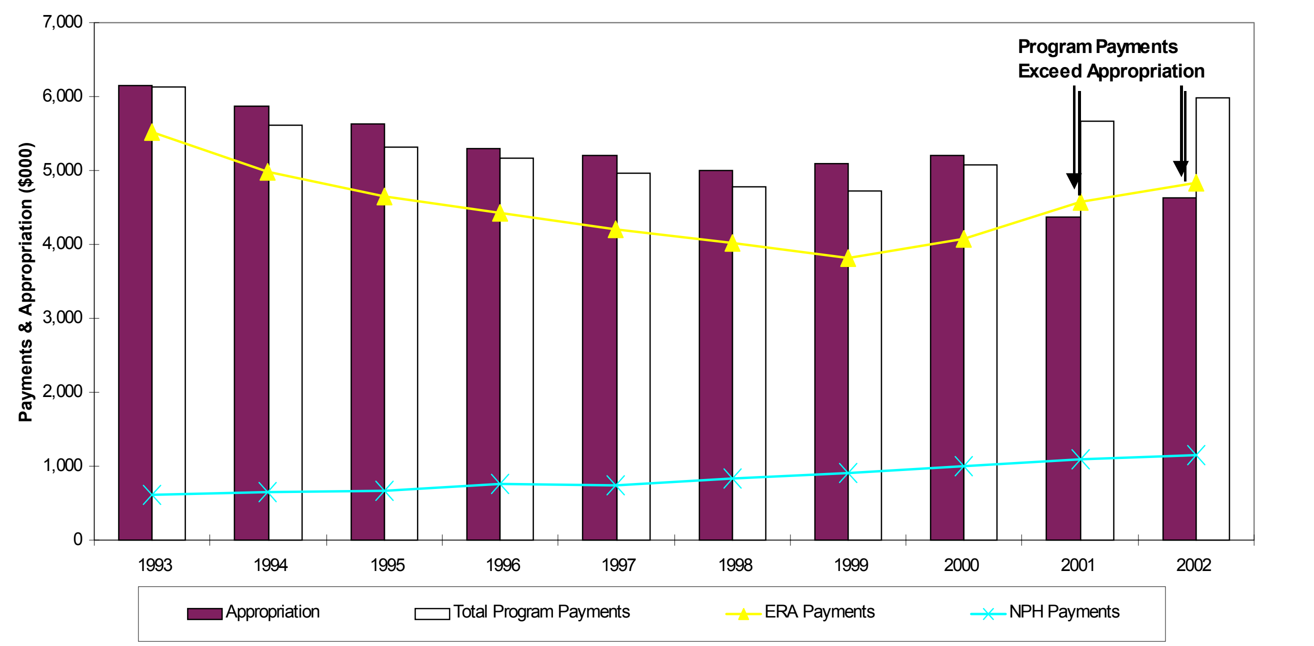
- ⇨ A specific filing deadline of July 1 was established for all ERA claims
- ⇨ The payment date for ERA participants is moved from October to no later than November 15th
- ⇨ Non-profit homes must file an application with the counties by April 1
- ⇨ The appropriation for the biennium will be split up each year - Allows pro ration of program payments in both years of the biennium if necessary
- ⇨ Both ERA program payments and county payments for the property tax exemption of non-profit elderly homes will be subject to pro ration if the appropriation and emergency funds are insufficient to pay all program claims

One policy issue, which was not directly addressed during the changes from the 2001 legislative session, was the cost responsibility for any shortfall in revenue from pro rating the county payments for the property tax exemption for non-profit homes for the elderly. It was not clear whether the owners of the non-profit homes for the elderly would be subject to a property tax for the difference between the property taxes assessed on the home versus the prorated payment paid to the counties by the Department of Revenue. According to Legislative Counsel, any pro ration in county payments that occurs does not make the owners of the homes subject to any property tax. If pro ration occurs, local governments, in the areas where the homes are located throughout Oregon, would receive less revenue from the Department of Revenue for the tax exemption.

Annually, the Department of Revenue receives a combined biennium appropriation for the administration of the elderly rental assistance program and property tax exemption for non-profit homes for the elderly. Due to the legislative changes in 2001, the Department of Revenue must not only forecast the amount of ERA claims as well as county payments for non-profit homes for the elderly property tax exemption but also split up the biennium appropriation between both tax years. Prior to the 1999-01 biennium, the Department of Revenue appropriation had been sufficient to pay the total payments for

both programs. In January 2000, the Department of Revenue requested additional funds from the Emergency Board to supplement the biennium appropriation to continue to pay elderly rental assistance program claims. If the Emergency Board had not provided additional funds in 2000, the Department of Revenue would have had to pro rates the ERA payments for 2000-01. The 2001 legislature appropriated $9 million for 2001-03

Figure 7: Elderly Rental Assistance (ERA) and Non-Profit Homes for the Elderly (NPH) - 1993-2002



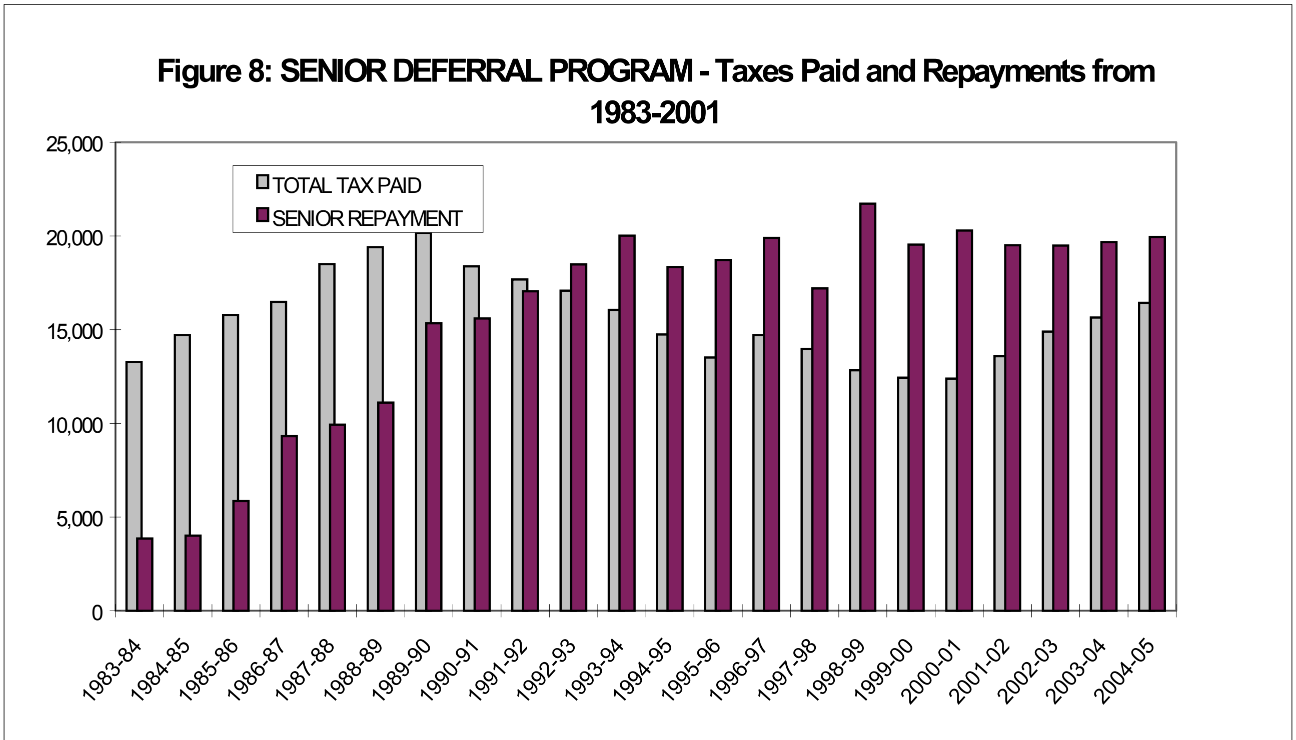
biennium for both property tax relief program payments. The 2001-03 appropriation is $2 million less than the 1999-01 appropriation for these property tax relief programs.

In early 2001, a large outreach was made to inform seniors of ERA program changes. That outreach increased the number of seniors participating in the assistance program by 838 refunds in 2001-02. The initial forecast of the ERA claims did not anticipate this participation increase. In examining the trends and making predictions of ERA refunds, it is helpful to split the total refunds into current and prior year refunds, see Figure 6. Typically, the majority of the prior year claims are just for 1 prior year. Between 1994-2001, the trends in the current year and prior refunds are not the same. The current year refunds have declined steadily over this time period. In contrast, the prior year ERA refunds have oscillated up and down every few years. Annually, the prior year refunds have made up between 2-5% of the total refunds from 1994-2001.

In 2001-02, total refunds increased by 838 refunds of which 61% of those were prior year claims. In 2001-02, the number of prior year claims increased significantly as a large number of new senior renters entering the ERA program claimed prior year refunds. In addition, the changes during the 2001 legislature established a distinct annual deadline for ERA claims beginning 2001. As a result, the Department of Revenue has

already received a large number of ERA claims for prior years that will be paid out in 2002-03. In 2002-03, prior year claims are predicted to grow by 803 refunds or 157% over the number of 2001-02 prior year claims.

Currently, the Department of Revenue predicts program payments for ERA claims and non-profit homes for the elderly to exceed the biennium appropriation for 2001-03 by $2.57 million. Without additional funding from the Emergency Board in either 2001 or



2002, both 2001-02 and 2002-03 program payments will have to be pro rated. Division of the biennial appropriation between tax years will determine the amount of proration that will occur each year beginning this fall 2001.

One approach to dividing the appropriation would be to pay all claims in the first year of the biennium in anticipation that in 2002-03 there might be additional funds that could come from the Emergency Board. The drawback to this approach is that if funds were not provided by the Emergency Board in 2002, the pro ration of refunds would be felt heavily all in one year. Another approach would be to evenly separate the appropriation, 50% in each year. The advantage to this approach would be to spread the pro rated payments over two years but the prorated payments in the second year could be higher, provided the initial projections for program claims are accurate. Another approach would be to divide the appropriation up according to the forecasted program payments in 2001-02 and 2002-03. The advantage of this approach would be that both tax years would have similar pro rated payments, provided the forecast was accurate. The disadvantage is that refunds may be pro rated more than needed in the first year if the actual claims in the 2002-03 are below the forecast.

If the current appropriation is split up according to the forecasted program payments, in 2001-02, 48% of $9 million would be spent on program payments and in 2002-03, 52% of $9 million would be spent, see Figure 7. In 2001-02, both program payments will be reduced by a total of $1.24 million; $988,000 from ERA payments and $240,000 from county payments for elderly non-profit homes' property tax exemption. The pro rated payments correspond to a reduction of approximately $125 per ERA participant and $6,154 per elderly home refund. The $240,000 reduction in county payments in 2001, due to the pro ration of the property tax exemption for non-profit homes, will result in less revenue for local taxing districts levying property taxes on the elderly homes. In 2002, the Department of Revenue predicts a larger shortfall in revenue, $1.33 million for the estimated program payments. ERA payments will need to be reduced by a total of $1.06 million and county payments will be reduced by $266,000. In both tax years in 2001-03, the ERA and county payments are expected to be reduced by 22% each year.

Property Tax Deferral Program

In 2001, the legislature passed HB2208A. It raised the initial household income limit to $32,000 to qualify for the property tax deferral program and indexed the initial household income limit to changes in the U.S. CPI beginning 2001-02. With the 2001 changes, the initial household income and the maximum federally adjusted gross income to remain eligible for the program are both set at $32,000 and indexed annually to changes in the U.S. CPI. In addition, the income limits for the special assessment deferral program were set at $32,000. Now both special assessment and property tax deferral programs have consistent income thresholds for seniors qualify for the programs.

Currently in 2001-02, the senior and disabled tax deferral program has 9,176 participants of which 190 people on the tax deferral program are disabled. As of July 2001, there is a surplus of $33 million in the program’s revolving fund account. The Department of Revenue forecasts that taxpayers' repayments will exceed the taxes paid to counties by $5.7 million in 2001-02 and $4.15 million in 2002-03. After accounting for administrative costs each biennium, the net revenues of the senior and disabled property tax deferral program is predicted to grow by $8.6 million in 2001-03 biennium and $4.9 million in 2003-05 biennium. The Department of Revenue's forecasts are based on the assumptions that senior tax deferral participants will grow by 4% in 2001-02 and 4.6% in 2002-03 and 1% per year in the 2003-05 biennium.

One challenge in predicting the tax deferral participation of seniors and the disabled population in the near future is balancing the large number of potential seniors and disabled population that could participate in the program with the effects of the interest rate on the participation rate in the program. As interest rates fall and remain below the rate charged in the tax deferral program, (6%), there is less of an incentive to participate in the state's property tax deferral program. In the current biennium, there is not likely to be a significant increase in the number of seniors participating in the deferral but in the long-term as interest rates rise again, there will be more of an incentive to defer property taxes at 6% interest.