Helping seniors: Lowering interest charge on deferred taxes. HB 4148

The simple objective of this bill is to help low and moderate income homeowners.

This bill makes a very narrow proposal. It affects one program only: ***The Homestead Property Tax Deferral Program***. Low and moderate income seniors and disabled people can qualify for this program based on their household income. Taxes are deferred while the person remains in the home. Then the tax due, along with interest, is paid when the property is sold. (Meanwhile, the state pays the county for the property tax that's owed so the local government isn't on the hook.)

The program has a provision allowing the Department of Revenue to charge interest on money owed to the state. The interest on that money, along with every other program we know about in the state – was calculated as simple interest -- until 2011. The program is self-supporting; the state is paying money out to counties, but money is coming in when properties are sold. The amounts don't always balance out over the years. In 2011, as one of several changes to keep the program solvent, the interest rate was changed to bring in more revenue to the program: changed from simple rate to compound rate. So over the next years, due to compound interest, the program raised more money, but really not much. For helping keep the program financially sound, that interest rate change was described as the least important to the program, compared to the other changes. The program is now on sound footing again, and there's no driving reason to keep that compounding rate.

This bill proposes to change the interest rate back to simple – and match how we charge interest for every other program in the state.

This change will make a difference of up to a few hundred dollars for someone, paying that tax, and could mean a lot to seniors on fixed and limited income and managing a tight household budget.

Rep. Nancy Nathanson. Feb. 2014