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November 4, 2015

The Honorable Chelsea City Council
Chelsea City Hall
500 Broadway
Chelsea, Massachusetts 02150

Re: *Tax Exemption Votes*

Dear Councilors:

I am writing in follow-up to my October 19, 2015 presentation on the Fiscal Year 2016 Full Revaluation Project. As I mentioned that evening, with the anticipated significant increases in residential property taxes, I believe it is essential that the City enact policies that will mitigate the impact of these tax increases on seniors. The way we can do that is to adopt some local options available under M.G.L. c. 59, § 5 that will both increase the value of tax exemptions available to seniors and expand the eligible pool of seniors who can take advantage of these exemptions.

The first tax exemption I wish to address is the one available to seniors age 70 or older, surviving spouses and minor children of a deceased parent. Right now, the City has adopted by local option the available tax exemption for this group under M.G.L. c. 59, §5, Clause 17C½. I recommend instead adoption of Clause 17D, which has less stringent requirements. Specifically, under Clause 17D, a senior qualifies if she owns and occupies the home for 5 years (as opposed to 10 years under Clause 17C½), and the full value of the home is exempt from the \$40,000 asset limit test in this section (as opposed to the first \$150,000 in home value under Clause 17C½). I ask that the Council vote to adopt Section 17D effective for exemptions granted for the fiscal years beginning on or after July 1, 2015.

The value of the tax exemption available under Clause 17D is \$175.00. However, by local option, the City may increase the value of that exemption each year by 100% of the Consumer Price Index in order for this exemption to keep pace with inflation. (For the Council's information, the rate of inflation for FY16 tax exemption purposes is 1.63%). I ask that the Council also vote in favor of this local option.

Finally, as noted above, seniors, surviving spouses and surviving minors qualify under Clause 17D only if their assets do not exceed \$40,000. By adoption of Clause 17E, the City may increase this asset limit by the rate of inflation. I ask that the City Council vote to adopt Clause 17E.

In addition to the Clause 17 exemptions, there is another more lucrative exemption available only to seniors under M.G.L. c. 59, §5, Clauses 41, 41B, 41C and 41C½. These exemptions are worth at least \$500 annually, but qualification is more difficult because there are both income and asset limits. However, municipalities have available local options to improve upon these limitations, and I recommend the City of Chelsea take advantage of these options. Specifically, I ask that the City Council adopt the following local options available under Clause 41C commencing for FY16: increase the value of the

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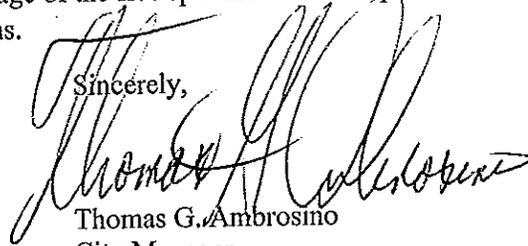
exemption to \$1,000.00; reduce the age limit from 70 to 65; increase the income limits from \$13,000 single/\$15,000 married to \$20,000 single/\$30,000 married; and increase the asset limit from \$28,000 single/\$30,000 married to \$40,000 single/\$55,000 married. Finally, I ask that the Council adopt Clause 41D, which will increase these higher asset and income limits each year by the rate of inflation.

The goal of all of these votes is to assist our most vulnerable homeowners, many on fixed incomes, during a period when the values on their homes are rising beyond their capability to keep up with the higher real estate taxes. With adoption of these changes, I am hopeful that we will significantly reduce the ranks of those seniors who can no longer afford to own a home in Chelsea.

I add just one caution. Given the fact that we are making our exemptions more valuable, and increasing the numbers of homeowners entitled to such exemptions, we will need to tighten our process for establishing eligibility. Homeowners should expect that they will be required to provide the documentation demanded by the Massachusetts Department of Revenue to qualify for these exemptions. Typically, such documentation includes evidence of home ownership, income tax returns, bank statements and/or other necessary proof of assets.

I have included as an attachment the language of the five specific votes I request from the Council. I will be available to answer any questions.

Sincerely,



Thomas G. Ambrosino
City Manager

Attachments

Cc: Assessor Mary-Lou Ireland

ADOPTION OF CLAUSE 17D

VOTED: That the City of Chelsea accept the provision of General Law Chapter 59, Section 5, Clause 17D which authorizes an exemption for senior citizens, surviving spouses and surviving minors in lieu of Clause 17C½, and that this Clause 17D be effective for exemptions granted for any fiscal year beginning on or after July 1, 2015.

ADJUSTED EXEMPTION AMOUNT FOR CLAUSE 17D

VOTED: That the City of Chelsea accept the provision of General Law Chapter 59, Section 5 added by Chapter 181 of the Acts of 1995 which authorizes an annual increase in the amount of the exemption granted to senior citizens, surviving spouses and surviving minors under General Laws Chapter 59, Section 5, Clause 17D by up to 100% of the percentage increase in the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index (CPI) for the previous year as determined by the Commissioner of Revenue, and to fix that annual increase at 100% of the CPI to be effective for exemptions granted for any fiscal year beginning on or after July 1, 2015.

ADJUSTED ASSET LIMIT FOR CLAUSE 17D

VOTED: That the City of Chelsea accept the provision of General Laws Chapter 59, Section 5, Clause 17E, which authorizes an annual increase in the asset (whole estate) limit for exemptions granted to senior citizens, surviving spouses and surviving minors under General Laws Chapter 59, Section 5, Clause 17D by percentage increase in the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index (CPI) for the previous year as determined by the Commissioner of Revenue, to be effective for exemptions granted for any fiscal year beginning on or after July 1, 2015.

ADJUSTED LIMIT FOR CLAUSE 41C

VOTED: That the City of Chelsea accept the provisions of General Laws Chapter 59, Section 5, Clause 41C which authorize the following: an increase in the value of the exemption to \$1,000; a decrease in the age limit from 70 to 65; an increase in the income limits (gross receipts) from \$13,000 single/\$15,000 married to \$20,000 single/\$30,000 married; and an increase in the asset (whole estate) limit from \$28,000 single/\$30,000 married to \$40,000 single/\$55,000 married. And that such changes be effective for exemptions granted for any fiscal year beginning on or after July 1, 2015.

ADJUSTED INCOME AND ASSET LIMITS FOR CLAUSE 41C

VOTED: That the City of Chelsea accept the provision of General Laws Chapter 59, Section 5, Clause 41D, which authorizes an annual increase in the income (gross receipts) and asset (whole estate) limit for exemptions granted to senior citizens under General Laws Chapter 59, Section 5, Clause 41C by the percentage increase in the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index (CPI) for the previous year as determined by the Commissioner of Revenue, to be effective for exemptions granted for any fiscal year beginning on or after July 1, 2015.