MEMBERS OF THE SENATE FINANCE AND REVENUE COMMITTEE:
PLEASE CONSIDER AMENDING HB 4039

It is generally accepted that revisions to the Senior Real Estate Tax Deferral Program are required if it is to be continued. However, it is my opinion that the proposed changes in HB 4039 fail to focus upon the primary objective of the program: "Providing property tax relief to assist **low income seniors** to be able to remain in their homes".

If HB 4039 is left unchanged, many truly low income citizens will lose their homes and be forced into bankruptcy. Subsequently, many of these citizens will become eligible for Medicaid assistance at a price to the state far in excess of any savings derived from terminating their benefits.

Adding to the unfairness is the fact many relatively well to do citizens will continue to participate and have their tax bills of $4,000, $5,000, and higher paid by the state, while keeping their savings and investment resources intact. The net worth qualifier of a maximum of $500,000 for program participation is far too high.

As net worth does not include the value of the property to be tax deferred, or the value of their car(s), personal possessions, etc, the definition of "net worth" is equal to savings and investments. Truly low income citizens are barely able to maintain a minimal standard of living and generally have no savings or investments available to convert to cash to pay their taxes. Persons with a net worth of $100,000, and higher, for example, can cash a bond and be able to pay their tax bill.

The proposed change to citizens with reverse mortgages is flawed. It is the stated objective of reverse mortgages to provide funds for seniors to be able to remain in their homes. The proposed two year reprieve simply forestalls the inevitable. These persons will be no more able to pay their taxes two years from now. These individuals played by the rules established by the state. Now, many face devastation in two years due to the state changing the rules.

Given the unforeseen changes in the real estate market, and the expectation that improvement may be many years down the road, it is understandable why the reverse mortgage qualifier is needed. However, the new rule should apply to new applicants only.

The new qualifier that only citizens residing in their home for more than five years is also flawed. It was the stated objective in the 2011 House Revenue Committee that this change would prohibit citizens from utilizing the deferral program as one element of financing a new home purchase. I agree with this conclusion as it will be effective in preventing new applicants from "gaming the system".

Persons already in the program met the established rules of the program at the time. It is only fair that these citizens be "grandfathered" into the new program and not be penalized by the state. To allow previous program participants, either those with reverse mortgages and/or those with less than five years of residency will cost the state additional funds.

It is a fundamental flaw in the development of HB 2543, that no consideration was made to examine alternatives that could provide substantial savings to the state while not causing harm to our more deserving citizens. Examples include:

(1). Lower the net worth qualifier from $500,000 to $50,000.
(2). Lower the total household income from $40,500 to $25,000.
(3). Place a $2,000 cap on tax payments paid by the state per account.
(4). Raise the qualifying age from 62 to 65.

If one or more of these changes were adopted, there would be adequate savings to fund the increased expense I propose. This would also work to make the tax deferral program come closer to meeting its objective of being a truly low income support program.

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