

Property Tax Bureau
Informational Guideline Release (IGR) No. 02-210
September 2002

(Supersedes IGR 00-201)

SENIOR CITIZEN PROPERTY TAX WORK-OFF ABATEMENT

**Chapter 184 §52 of the Acts of 2002
(Amending G.L. Ch. 59 §5K)**

This Informational Guideline Release (IGR) informs local officials about an amendment increasing the maximum abatement that senior citizens may earn under the local option statute that allows cities and towns to establish a property tax work-off program.

Topical Index Key:

Abatements and Appeals
Tax Bills

Distribution:

Assessors
Collectors
Treasurers
Accountants and Auditors
Selectmen/Mayors
City/Town Managers/Exec. Secys.
Finance Directors
City/Town Councils
City Solicitors/Town Counsels

(Supersedes IGR 00-201)

SENIOR CITIZEN PROPERTY TAX WORK-OFF ABATEMENT

**Chapter 184 §52 of the Acts of 2002
(Amending G.L. Ch. 59 §5K)**

SUMMARY:

The board of selectmen, town council or mayor with the approval of the city council in a community that has accepted G.L. Ch. 59 §5K may establish a property tax work-off program for taxpayers over 60 years old. Under the program, participating taxpayers volunteer their services to the municipality in exchange for a reduction in their tax bills. A recent amendment to the local acceptance statute increases the maximum abatement a senior may earn each fiscal year under these programs to \$750. The previous limit was \$500 per year.

The amendment is now in effect. A community that has accepted the statute may now grant abatements up to \$750, but any local by-laws, ordinances or rules adopted for the program that expressly limit the abatement to \$500 must first be amended before taxpayers can earn a higher abatement.

These guidelines supersede the guidelines issued when G.L. Ch. 59 §5K was enacted. See Property Tax Bureau Informational Guideline Release No. 00-201, *Senior Citizen Property Tax Work-off Abatement* (January 2000). They reflect the recent amendment and address eligibility and other issues that have arisen since that time.

GUIDELINES:

A. LOCAL ACCEPTANCE OF STATUTE

1. Acceptance

Acceptance of the statute is by a vote of the town meeting, town council, or city council with the mayor's approval where required by law.

2. **Effective Date**

The acceptance vote should explicitly state the fiscal year in which the program will first be available.

3. **Revocation**

Acceptance of the statute may be revoked, but the city or town must wait until at least three years after the statute was accepted to do so. Revocation is also by town meeting, town council or city council vote. G.L. Ch. 4 §4B.

B. **SCOPE OF ABATEMENT**

1. **Age**

Taxpayers must be over 60 years of age to earn a property tax abatement under the program.

2. **Ownership**

Taxpayers must be the assessed owner of the property on which the tax to be abated is assessed, or have acquired ownership before the work is performed and the abatement applied. If the property is subject to a trust, the senior must have legal title, *i.e.*, be one of the trustees, on the applicable January 1 assessment date, or at the time the work is performed.

More than one qualifying owner of the parcel may earn an abatement, unless local program rules limit multiple abatements on a parcel. See Section C below.

3. **Maximum Abatement and Hourly Rate**

The maximum abatement taxpayers may earn is \$750 per fiscal year. In addition, they cannot receive credit for their services at an hourly rate higher than the state's minimum wage. As of January 1, 2001, that rate is \$6.75 an hour.

Communities should also set the rate no lower than the federal minimum wage unless advised by the Wages and Hours Division of the United States Department of Labor that the federal fair labor standards act does not apply to the program. The federal minimum wage is currently \$5.15 an hour.

4. **Personal Exemptions and Deferrals**

Taxpayers may earn abatements under the work-off program in addition to any property tax exemptions they may be eligible for under other statutes, such as personal exemptions under G.L. Ch. 59 §5 or residential exemptions under G.L. Ch. 59 §5C. They may also defer the balance of their taxes under G.L. Ch. 59 §5(41A) if they are eligible to do so.

C. **ADOPTION OF LOCAL PROGRAM RULES**

After acceptance of the statute, the selectmen, town council or mayor with approval of the city council may establish a senior work-off program consistent with any local rules and procedures the municipality may adopt by by-law or ordinance. Those officials should coordinate the assignment of program participants to the various municipal departments where they will perform their volunteer services.

A municipality accepting the new law should adopt rules to determine:

- The hourly rate at which the tax reduction is to be computed;
- An eligibility date;
- Any income asset limitations on eligibility;
- Any limitation of eligibility to a tax reduction on a volunteer's domicile;
- Any limitations on the number of volunteers or the types of work they may do;
- Any other restrictions or regulations consistent with the intent of the law.

D. **CERTIFICATION OF SERVICE**

The board, officer or department supervising the taxpayer's volunteer services must certify to the assessors the hours of services performed by the taxpayer before the actual tax for the fiscal year is committed. The certification must state the amount actually earned as of that time. Services performed after that date are credited toward the next fiscal year's actual tax bill to the extent consistent with the program rules established by the municipality.

A copy of the certification must also be given to the taxpayer before the actual tax bill is issued. (See attached model that may be adapted to suit local needs).

E. TREATMENT OF "EARNED" AMOUNT

The amount of the property tax reduction earned by the taxpayer under this program is not considered income or wages for purposes of **state** income tax withholding, unemployment compensation or workmen's compensation.

The United States Internal Revenue Service (IRS) has ruled that under current federal law the abatement amount is included in the taxpayer's gross income for both federal income tax and Federal Insurance Contribution Act (FICA) tax purposes, however. In addition, if the community pays the taxpayer's share of FICA taxes, that amount is also income subject to federal income tax. Communities should verify with the IRS that their procedures comply with all applicable federal laws regarding income, Social Security and Medicare tax withholding on abatements earned under this program.

F. ACCOUNTING FOR ABATEMENTS

Earned reductions must be applied to the **actual** tax bills for the fiscal year. The assessors must commit the full tax for the year and process the **gross** amount earned as certified by the board, officer or department supervising the taxpayer's volunteer services as an abatement to be charged against the overlay account. See Section D above. **The taxpayer's actual tax bill, however, should only show a credit for the amount earned net of any federal withholdings.** The municipal share of federal Social Security and Medicare taxes may also be charged to the overlay unless the community has otherwise provided.

G. STATUS OF VOLUNTEERS

Taxpayers performing services in return for property tax reductions are employees for purposes of municipal tort liability. Municipalities will therefore be liable for damages for injuries to third parties and for indemnification of the volunteers to the same extent as they are in the case of injuries caused by regular municipal employees.

(MODEL)

(Copy must be given to the taxpayer before the actual tax bill is mailed)

City/Town of _____
Certificate of Completion of Volunteer Services

(G.L. Ch.59 §5K)

To: Board of Assessors

_____ the owner of a parcel at _____ has completed
(Taxpayer's name) (Property address)
_____ hours of volunteer work to be credited toward the fiscal year _____ tax
assessed on the parcel at the address listed above at the rate of \$_____ per hour.

(Signature of Person Certifying Work)

(Board or Department)

(Date)