

MEMO: July 3, 1978  
TO: Alice Booth with Cong. Tsongas  
FROM: Richard Boltuck  
RE: H.R. 12523

*Always Negative FOR Rich*

Fiscal 1978 figures aren't in for the Massachusetts Senior Citizens Property tax deferral program yet, but you're quite correct that fiscal 1977 participation was low (354 applications).

While there are a number of similarities to H.R. 12523 with clause 41A of Chapter 5985 of the Massachusetts General Laws, there are also a number of important disimilarities which serve to inhibit reliance on the existing state program:

- 1) The state program charges 8 per cent interest, while this would be a Federal subsidy under H.R. 12523;
- 2) Participants must have lived in the State for 10 years;
- 3) The amount of available deferral is significantly less than under H.R. 12523, i.e. 50 per cent of "full and fair cash value" as opposed to 90 per cent of unmortgaged market value.

H.R. 12523 may provide more relief to property tax payers of States with less generous provisions for forgiving tax liability of broad groups of citizens than Massachusetts. Many taxpayers who may be inclined to use a deferral benefit more by claiming a senior citizen exemption, veterans exemption and so forth. This is not an argument against a lien program, but rather commends in favor of such a program which might fill gaps in the law where senior citizens fall through cracks between the other direct subsidy provisions.

Mrs. Bazes, Mass. Department of Taxation (Property Tax Division), told me fiscal 1978 figures may show substantially broader use of the lien program because of the spreading use of "full and fair cash value" assessment rules throughout the State, which is tied into some provisions of the law. H.R. 12523 wouldn't require any particular assessment methodology.

Additionally, as presently written, any major use of clause 41A could disrupt the cash flow of local governments in the State. Of course, the element of H.R. 12523 which should encourage the proliferation of lien programs is precisely that it provides a mechanism to Federally finance, through loans and loan guarantees, any temporary revenue disruptions to localities caused by some of their property tax base shifting to a deferral status. This, in turn, would provide an incentive for State governments to encourage the use of lien programs instead of outright tax abatement which does indeed result in permanent revenue loss as well as temporary disruption.

Finally, many senior citizens psychologically resist the idea of a lien against their property. But this resistance isn't wholly rational, since even an 8 per cent loan secured by real property is somewhat soft in today's financial markets. Therefore, especially with even lower or no interest loans, I strongly suspect such resistance will erode rapidly the negative connotation of a lien ~~is overcome~~, and as information about the program circulates more widely, allowing more careful calculations by eligible senior citizens of where their self-interest lies, *hesitancy will be overcome.*

In sum, I think there are sufficient reasons to commend this Federal effort even in light of the slow start of the 401A deferral program in Massachusetts with its select similarities. The H.R. 12523 <sup>approach</sup> only creates additional options for Massachusetts senior citizens, while not limiting any that presently exist.