



STAFF REPORT

Public Hearing 5322

AGENDA ITEM #: 22-46
COUNCIL MTG OF: April 19, 2022
FROM: David Caron, Town Administrator
OFFERED BY: Administration
PREPARED BY: Administration
SUBJECT: Increase Income Level Eligibility for the Elderly Exemption Program.

PURPOSE

To seek Council approval to increase the income eligibility limits to participate in the Town’s Elderly Exemption Program.

TOWN ADMINISTRATOR COMMENTS

See comments within this report.

BACKGROUND

The Town Council continues its review of the Town’s Elderly Exemption program; this program is authorized by State Statute and prescribes minimum eligibility requirements, including income and property assessment exemption levels. Communities may adjust (and most have adjusted) these requirements which results in more residents becoming eligible (by raising the income eligibility levels) and providing more benefit (by raising the exemption amounts).

This report takes us through the following:

- 1) Identification of program requirements which are set by State Statute and cannot be changed by the Town Council;
- 2) Minimum program requirements as established by the State but can be adjusted by the Council;
- 3) How Derry compares in its efforts to bring relief to elderly property owners when measured against surrounding communities and the State’s top ten communities in terms of population.

Currently, the total exemption value included in this program is \$26.4M, which is approximately 0.7% of the Town’s taxable assessment base. This amount results in approximately \$653,000 in tax burden redistributed to other property taxpayers.

It should be noted that for tax year 2018, the total exemption value included in this program was \$28.8M, which is approximately 1.0% of the Town’s taxable assessment base. This amount results in approximately \$831,000 in tax burden redistributed to other property taxpayers.

State-Mandated Program Requirements –

- 1) Applications due by April 15;
- 2) Eligibility decision by July 1;
- 3) Taxpayer appeal of denial to Board of Tax and Land Appeals or Superior Court by September 1;
- 4) Applicant must have resided in State for at least 3 consecutive years prior to April 1;
- 5) Owned by a resident, or the resident’s spouse, either of whom meets the age requirement for the exemption claimed, and when they have been married to each other for at least 5 consecutive years;
- 6) Defines applicable and excluded income sources;
- 7) Defines applicable and excluded asset levels (in addition to others, excludes value of primary residence);

- 8) Should municipalities grant different exemption amounts based upon age, age categories shall be 65 years up to 75 years; 75 years up to 80 years, and 80 years or older;

State-Mandated Minimum Program Requirements Which Can be Adjusted Locally –

- 1) Net income of \$13,400/single and \$20,400 married; Derry currently allows \$35,000/single and \$45,000 married;
- 2) Net asset level of \$35,000; Derry has increased that level to \$150,000;
- 3) Minimum property tax exemption of \$5,000 across all age brackets; Derry has opted to provide different levels at the three age brackets of \$85,000; \$125,000; and \$165,000, respectively;

DISCUSSION

It is instructive to understand how the Town compares to both surrounding communities and the State’s ten largest communities. It is also helpful to understand the impact of inflation on the program (the income eligibility levels have not increased since 2010).

Derry’s baseline data compared to abutting communities, such as Assessed Valuation/Capita:

<i>Abutting Communities</i>		
<i>Community</i>	<i>Rank</i>	<i>AV/Capita</i>
Atkinson	1	\$ 218,148
Auburn	5	\$ 149,011
Chester	7	\$ 141,054
Derry	9	\$ 105,521
Hampstead	6	\$ 148,920
Londonderry	3	\$ 197,177
Salem	2	\$ 214,757
Sandown	8	\$ 103,941
Windham	4	\$ 195,361
Median AV/Capita		\$ 149,011

Also Per Capita Income:

<i>Abutting Communities</i>		
<i>Community</i>	<i>Rank</i>	<i>Per Capita Income</i>
Atkinson	2	\$ 54,905.00
Auburn	5	\$ 47,519.00
Chester	3	\$ 48,914.00
Derry	9	\$ 37,471.00
Hampstead	4	\$ 47,175.00
Londonderry	6	\$ 46,674.00
Salem	7	\$ 46,380.00
Sandown	8	\$ 40,437.00
Windham	1	\$ 62,702.00
Median Per Capital Income:		\$ 47,175.00

This information may draw two observations. First, Derry's Assessed Valuation Per Capita is only higher than Sandown's, and at \$105,521, is at 70.8% of the group's median AV/Capita, and is only 48.3% when compared to Atkinson, our neighbor with the highest AV/Capita. Second, Derry's Per Capita Income is lowest of our neighbors, at 80% of median and 60.2% compared to Windham, which has the highest PCI.

Similar information has been compiled for the State's ten largest communities:

<i>Ten Largest Municipalities</i>		
<i>Community</i>	<i>Rank</i>	<i>AV/Capita</i>
Concord	6	\$ 116,061
Derry	8	\$ 105,521
Dover	4	\$ 136,596
Hudson	5	\$ 126,759
Londonderry	2	\$ 197,177
Manchester	10	\$ 79,339
Merrimack	3	\$ 184,077
Nashua	7	\$ 112,429
Rochester	9	\$ 86,628
Salem	1	\$ 214,757
Median AV/Capita		\$ 121,410

Per Capita Income:

<i>Ten Largest Municipalities</i>		
<i>Community</i>	<i>Rank</i>	<i>Per Capita Income</i>
Concord	8	\$ 37,223.00
Derry	7	\$ 37,471.00
Dover	5	\$ 43,061.00
Hudson	1	\$ 47,122.00
Londonderry	3	\$ 46,674.00
Manchester	10	\$ 34,096.00
Merrimack	2	\$ 47,040.00
Nashua	6	\$ 40,011.00
Rochester	9	\$ 34,457.00
Salem	4	\$ 46,380.00
Median Per Capital Income:		\$ 41,536.00

Derry's AV/C is 8th lowest in this group, at 86.9% of median, and again is only 49.1% when compared to Salem. Derry's PCI is 7th, at 95.3% of median, and 79.5% of Hudson, which has the highest PCI.

How Derry Compares in its Efforts to Bring Relief to Elderly Property Owners

As noted previously, Derry has set both the **income level** at which a program applicant may participate, and the amount of exemption allowed over the State minimums, based upon the three age categories. Derry compares against both test groups for income eligibility requirements:

<i>Abutting Communities</i>			<i>Eligibility Requirements</i>			
<i>Community</i>	<i>Rank</i>	<i>Per Capita Income</i>	<i>Elderly - Single</i>	<i>% of PCI</i>	<i>Elderly - Married</i>	<i>% of PCI</i>
Atkinson	2	\$ 54,905.00	\$ 34,700.00	63.2%	\$ 43,500.00	79.2%
Auburn	5	\$ 47,519.00	\$ 25,000.00	52.6%	\$ 40,000.00	84.2%
Chester	3	\$ 48,914.00	\$ 40,000.00	81.8%	\$ 60,000.00	122.7%
Derry	9	\$ 37,471.00	\$ 35,000.00	93.4%	\$ 45,000.00	120.1%
Hampstead	4	\$ 47,175.00	\$ 35,000.00	74.2%	\$ 50,000.00	106.0%
Londonderry	6	\$ 46,674.00	\$ 40,800.00	87.4%	\$ 50,300.00	107.8%
Salem	7	\$ 46,380.00	\$ 36,150.00	77.9%	\$ 48,200.00	103.9%
Sandown	8	\$ 40,437.00	\$ 50,000.00	123.6%	\$ 70,000.00	173.1%
Windham	1	\$ 62,702.00	\$ 45,000.00	71.8%	\$ 55,000.00	87.7%
Median Per Capital Income:		\$ 47,175.00	\$ 36,150.00	77.9%	\$ 50,000.00	106.0%

<i>Ten Largest Municipalities</i>			<i>Eligibility Requirements</i>			
<i>Community</i>	<i>Rank</i>	<i>Per Capita Income</i>	<i>Elderly - Single</i>	<i>% of PCI</i>	<i>Elderly - Married</i>	<i>% of PCI</i>
Concord	8	\$ 37,223.00	\$ 34,300.00	92.1%	\$47,200.00	126.8%
Derry	7	\$ 37,471.00	\$ 35,000.00	93.4%	\$45,000.00	120.1%
Dover	5	\$ 43,061.00	\$ 42,000.00	97.5%	\$57,000.00	132.4%
Hudson	1	\$ 47,122.00	\$ 45,000.00	95.5%	\$55,000.00	116.7%
Londonderry	3	\$ 46,674.00	\$ 40,800.00	87.4%	\$50,300.00	107.8%
Manchester	10	\$ 34,096.00	\$ 37,000.00	108.5%	\$50,000.00	146.6%
Merrimack	2	\$ 47,040.00	\$ 45,000.00	95.7%	\$60,000.00	127.6%
Nashua	6	\$ 40,011.00	\$ 50,000.00	125.0%	\$50,000.00	125.0%
Rochester	9	\$ 34,457.00	\$ 35,000.00	101.6%	\$50,000.00	145.1%
Salem	4	\$ 46,380.00	\$ 36,150.00	77.9%	\$48,200.00	103.9%
Median Per Capital Income:		\$ 41,536.00	\$ 38,900.00	95.7%	\$50,000.00	125.0%

You will note that Derry establishes a greater percentage of the average per capital income as compared to the maximum income thresholds and its neighbors' efforts. It should be noted, however, that the income requirements are very consistent with its peers.

Listed below is the information when considering Average Valuation per Capita:

Abutting Communities			Eligibility Requirements			
Community	AV/Capita	Elderly - Single	% of AV/C	Elderly - Married	% of AV/C	
Atkinson	\$ 218,148	\$ 34,700.00	15.9%	\$ 43,500.00	19.9%	
Auburn	\$ 149,011	\$ 25,000.00	16.8%	\$ 40,000.00	26.8%	
Chester	\$ 141,054	\$ 40,000.00	28.4%	\$ 60,000.00	42.5%	
Derry	\$ 105,521	\$ 35,000.00	33.2%	\$ 45,000.00	42.6%	
Hampstead	\$ 148,920	\$ 35,000.00	23.5%	\$ 50,000.00	33.6%	
Londonderry	\$ 197,177	\$ 40,800.00	20.7%	\$ 50,300.00	25.5%	
Salem	\$ 214,757	\$ 36,150.00	16.8%	\$ 48,200.00	22.4%	
Sandown	\$ 103,941	\$ 50,000.00	48.1%	\$ 70,000.00	67.3%	
Windham	\$ 195,361	\$ 45,000.00	23.0%	\$ 55,000.00	28.2%	
	\$ 149,011	\$ 36,150.00	23.0%	\$ 50,000.00	28.2%	
Largest Municipalities			Eligibility Requirements			
Community	AV/Capita	Elderly - Single	% of AV/C	Elderly - Married	% of AV/C	
Concord	\$ 116,061	\$ 34,300.00	29.6%	\$ 47,200.00	40.7%	
Derry	\$ 105,521	\$ 35,000.00	33.2%	\$ 45,000.00	42.6%	
Dover	\$ 136,596	\$ 42,000.00	30.7%	\$ 57,000.00	41.7%	
Hudson	\$ 126,759	\$ 45,000.00	35.5%	\$ 55,000.00	43.4%	
Londonderry	\$ 197,177	\$ 40,800.00	20.7%	\$ 50,300.00	25.5%	
Manchester	\$ 79,339	\$ 37,000.00	46.6%	\$ 50,000.00	63.0%	
Merrimack	\$ 184,077	\$ 45,000.00	24.4%	\$ 60,000.00	32.6%	
Nashua	\$ 112,429	\$ 50,000.00	44.5%	\$ 50,000.00	44.5%	
Rochester	\$ 86,628	\$ 35,000.00	40.4%	\$ 50,000.00	57.7%	
Salem	\$ 214,757	\$ 36,150.00	16.8%	\$ 48,200.00	22.4%	
	\$ 121,410	\$ 38,900.00	33.2%	\$ 50,000.00	42.6%	

This information helps us to understand that Derry maintains a closer correlation between the income eligibility requirements and the assessed valuation per capita. Overall, Derry's income requirements are very close to the median eligibility requirements for both groups.

Thus, although Derry remains very competitive in the relief granted to our eligible elderly exemption recipients, both in terms of assessed value per capita (ability of Town to underwrite program) and per capita income (relation between individual income and eligibility) it is the reduction in participation over the last few years which draws the conclusion that increasing incomes have resulted in the determination that some participants must be removed from eligibility.

Since 2010, inflation has increased at the cumulative amount of 30.11%, which would result in new income eligibility of \$45,538 for a single applicant and \$58,549 for a married couple.

FINANCIAL IMPACT

Increasing each income level by \$10K to \$45K and \$55K, respectively, may result in a redistribution of property tax revenues approximating \$20,000 annually.

RECOMMENDED ACTION AND MOTION BY COUNCIL

Please see Resolution #2022-031.