

**AGENDA
LEBANON CITY COUNCIL
OCTOBER 16, 2019**

9. NEW BUSINESS:

**9.C – REVIEW OF CURRENT ELDERLY TAX EXEMPTIONS &
VETERANS’ TAX CREDITS**

BACKGROUND

City Manager Mulholland requested the Assessing Office review existing Elderly Exemptions and Veterans’ Tax Credits to see if the City is in-line with neighboring and other comparably sized communities. During the review, it was discovered that the income and asset limit for the elderly exemptions has not changed since enacted by the City Council on February 7, 2001; the last amendment to the standard and optional veterans’ credit occurred on February 7, 1990, when the City Council voted to increase the credit from \$50 to \$100; and the veterans’ service-connected disability credit was last increased from \$700 to \$1,400 for eligible veterans or their surviving spouses on September 15, 1993.

Please see memo from Chief Assessor Richard Vincent for more detail and recommendations. Chief Assessor Vincent will be present to answer any questions.

ACTIONS

1. ELDERLY EXEMPTION

Should the Council decide to increase the income limits for married elderly couples, the following motion is offered for consideration:

MOVED, that the Lebanon City Council, in accordance with NH RSA 72:39-b, hereby increases the net income limits for elderly married couples from \$36,800 (Thirty-Six Thousand Eight Hundred Dollars) to \$50,000 (Fifty Thousand Dollars). Net income limits shall be determined in accordance with NH RSA 72:39-a.

2. STANDARD (OPTIONAL) VETERANS’ TAX CREDIT

Should the Council decide to increase the Standard (Optional) Veterans’ Tax Credit, the following motion is offered for consideration:

MOVED, that the Lebanon City Council, in accordance with NH RSA 72:28, hereby increases the Standard (Optional) Veterans’ Tax Credit from \$100 (One Hundred Dollars) to \$250 (Two Hundred Fifty Dollars).

3. ALL VETERANS’ TAX CREDIT

Should the Council decide to enable the All Veterans’ Tax Credit, the following is offered for consideration:

BE IT HEREBY RESOLVED, that the City of Lebanon, in accordance with NH RSA 72:27-a, hereby adopts the provisions of RSA 72:28-b, All Veterans' Tax Credit. The tax credit will be in the amount of \$250 (Two Hundred Fifty Dollars) which is the same amount as the Standard (Optional) Veterans' Tax Credit; and qualifications for the tax credit shall be as stipulated in RSA 72:28-b.IV. Any person desiring to claim the credit will be required to file an application with the assessors by April 15 of the tax year.

Included in this Section:

1. October 4, 2019 Memo from Richard Vincent, Chief Assessor; re: 2019 Elderly Exemptions and Veterans' Tax Credits Study
2. Spreadsheet: 2019 Elderly Exemptions and Veterans' Tax Credits Study
3. Explanation and Summary of Elderly Tax Exemptions
4. Explanation and Summary of Standard (Optional) Veterans' Tax Credit
5. Explanation and Summary of All Veterans' Tax Credit

To: Honorable Mayor and City Council
Cc: Shaun Mulholland, City Manager
Paula Maville, Deputy City Manager
From: Richard Vincent, Chief Assessor
Date: October 4, 2019
Re: 2019 Elderly Exemptions and Veterans' Tax Credits Study

INTRODUCTION:

City Manager Mulholland requested the Assessing Office review existing Elderly Exemptions and Veterans' Tax Credits to see if the City is in-line with neighboring and other comparably sized communities. During our review, it was discovered that the income and asset limit for the elderly exemptions has not changed since enacted by the City Council on February 7, 2001; the last amendment to the standard veterans' credit occurred on February 7, 1990, when the City Council voted to increase the credit from \$50 to \$100 for eligible veterans or their surviving spouses; and the veterans' service-connected disability credit was last increased from \$700 to \$1,400 for eligible veterans or their surviving spouses on September 15, 1993.

BACKGROUND:

A study of 13 neighboring and comparably sized communities with similar median household incomes and/or populations was undertaken to determine whether the City's qualifications for existing exemptions and credits are in line with those of the 13 other communities. Please see attached spreadsheet for full comparison.

Elderly Exemptions

In reviewing the income limits for our elderly populations, one of the more notable differences is the fact that Lebanon, unlike any other community, has the same income limits for both single people and married couples (a maximum of \$36,800 annually). It is accurate to state that some of our elderly residents are finding it more and more difficult to qualify or remain qualified for the elderly exemption as their combined (typically) Social Security income, even with only small COLA increases, puts them over the existing income limit (sometimes by only a few dollars). Taxes are increasing, and with the possibility that assessments will increase next year due to the city-wide revaluation, it may be appropriate for the Council to consider an increase in the income limit for married couples.

According to the City's 2019 MS-1 Report, there are presently 84 residents receiving an elderly exemption, 23 elderly I (ages 65-74), 10 elderly II (ages 75-79) and 51 elderly III (ages 80 and above), resulting in \$8,372,200 in reduced assessed value.

Veterans' Tax Credits

Standard Veterans' Tax Credit: In reviewing the credit amounts currently provided to our veterans under the standard tax credit provision, at \$100, Lebanon is the lowest of the 13 communities studied. According to the City's 2019 MS-1 Report, Lebanon currently awards a \$100 credit to 313 veterans, resulting in an estimated \$31,300 in annual tax credits.

Veterans' Service-connected Disability Tax Credit: The City's veterans' service-connected disability tax credit, currently set at \$1,400, is equal to four (4) of the surveyed communities. Eight of the communities provide a \$2,000 credit, and 1 provides a \$700 credit. It is felt that \$1,400 is in-line with other communities, but Council certainly has the option to increase it should they choose to do so.

According to the City's MS-1 Report, Lebanon currently awards the veterans' service-connected disability credit to 17 veterans or their surviving spouses. This results in an estimated \$23,800 credited annually.

All Veterans' Tax Credit: In June 2018, the State enacted an optional all veterans' tax credit. This credit has not been adopted by the City Council. The qualifications for this credit are less limiting than the standard veterans' credit in that the applicant need not have served in a qualifying war or conflict nor have earned a qualifying medal as stipulated by NH Statute. If the Council were to adopt this credit, we would propose that the amount be equal to the standard veterans' credit. Veteran applicants who qualify to receive a veterans' credit will either qualify under the standard veterans' credit or all veterans' credit, but not both.

RECOMMENDATIONS/RATIONALE:

Elderly Exemptions

As there is currently no differing income limits between single residents and married couples, it is recommended that the City Council consider raising the income limit for an elderly married couple to \$50,000. The Assessing Office cannot be sure how many more elderly residents would be eligible for an exemption, but those that currently qualify would remain qualified for the foreseeable future.

Veterans' Tax Credits

The study conducted indicates that the \$100 standard veterans' credit is lower than that of the 13 other communities studied. It is recommended that the City Council consider raising the standard veterans' credit to \$250 to bring Lebanon's veterans' credit more in line with surrounding communities (currently ranging between \$125 and \$500, with the majority (8) communities awarding \$500 to their qualifying veterans.)

The optional all veterans' credit is available to be adopted by the City Council. Of the 13 communities studied, 4 communities have adopted the all veterans' credit at the same credit amount as the standard veterans' credit. Several potential applicants have inquired either in person or by telephone regarding the qualifications which must be met to receive a veterans' tax credit and conclude they do not qualify based on the requirements of the standard credit. If adopted, more veterans may qualify under the less stringent qualifications. The Assessing Office has not tracked the number of past inquiries so it would be difficult to estimate how many additional veterans would qualify to receive this credit.

2019 ELDERLY EXEMPTIONS AND VETERANS TAX CREDITS STUDY

COUNTY	MUNICIPALITY	VETERANS					ELDERLY					STATISTICS		
		RSA 72:28	RSA 72:28-b	RSA 72:29-a	RSA 72:35	80+ Amount Granted	75-79 Amount Granted	65-74 Amount Granted	RSA 72:39-a			Population (NH Office of Strategic Initiatives - OSI - 2018)	Median Household Income (US Census - Dec 2018)	
		Veterans Tax Credit	All Veterans Tax Credit	Surviving Spouse	Tax Credit for Service- Connected Total Disability				Income Limit Single	Income Limit Married	Asset Limit Single			Asset Limit Married
Grafton	Lebanon	\$100	\$0	\$700	\$1,400	\$170,000	\$80,000	\$45,000	\$36,800	\$36,800	\$100,000	\$100,000	13,829	\$64,564
Residents Receiving Credits		313	0	0	17	51	10	23	Residents Receiving Elderly Exemptions					
Tax Credits Received		\$31,300	\$0	\$0	\$23,800	\$6,835,000	\$639,000	\$898,200	Reduction in Assessed Values in Each Age Grouping					
Total Credits for 2019			\$55,100			\$8,372,200			Total Reduction in Assessed Values for 2019					
Grafton	Canaan	\$200	\$0	\$700	\$1,400	\$85,000	\$75,000	\$65,000	\$24,000	\$36,000	\$70,000	\$70,000	3,977	\$64,915
Grafton	Enfield	\$200	\$200	\$1,400	\$1,400	\$92,000	\$69,000	\$46,000	\$26,000	\$36,000	\$70,000	\$70,000	4,714	\$82,469
Grafton	Grafton	\$500	\$0	\$700	\$2,000	\$25,000	\$20,000	\$15,000	\$25,000	\$36,000	\$40,000	\$50,000	1,373	\$54,000
Grafton	Hanover	\$500	\$0	\$2,000	\$2,000	\$165,000	\$120,000	\$80,000	\$32,000	\$45,000	\$75,000	\$75,000	11,541	\$118,250
Grafton	Haverhill	\$500	\$0	\$700	\$2,000	\$45,000	\$25,000	\$15,000	\$21,000	\$35,000	\$70,000	\$70,000	4,712	\$53,869
Grafton	Lyme	\$500	\$0	\$700	\$2,000	\$240,000	\$190,000	\$135,000	\$30,000	\$40,000	\$150,000	\$150,000	1,733	\$108,558
Sullivan	Claremont	\$125	\$0	\$700	\$1,400	\$77,000	\$50,000	\$30,000	\$22,000	\$29,000	\$60,000	\$60,000	13,293	\$46,639
Sullivan	Cornish	\$500	\$0	\$1,400	\$1,400	\$75,000	\$60,000	\$45,000	\$22,000	\$30,000	\$40,000	\$40,000	1,660	\$77,667
Sullivan	Grantham	\$500	\$500	\$700	\$700	\$82,500	\$66,000	\$44,000	\$40,000	\$80,000	\$100,000	\$200,000	3,046	\$104,962
Sullivan	Sunapee	\$500	\$0	\$1,400	\$2,000	\$75,000	\$55,000	\$35,000	\$25,000	\$34,000	\$75,000	\$75,000	3,493	\$63,750
Cheshire	Keene	\$225	\$225	\$2,000	\$2,000	\$44,900	\$37,400	\$29,700	\$28,700	\$38,700	\$55,000	\$78,650	23,397	\$55,398
Rockingham	Portsmouth	\$500	\$500	\$2,000	\$2,000	\$225,000	\$175,000	\$125,000	\$41,314	\$56,807	\$175,000	\$175,000	22,166	\$72,384
Merrimack	Concord	\$150	\$0	\$2,000	\$2,000	\$202,124	\$118,420	\$72,818	\$33,400	\$45,800	\$90,000	\$90,000	43,079	\$61,310
	MEDIAN	\$500	\$0	\$1,400	\$2,000	\$82,500	\$66,000	\$45,000	\$26,000	\$36,000	\$70,000	\$75,000	4,712	\$64,915

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Elderly Exemption

The elderly exemption is governed by NH RSA 72:39-b. The filing deadline is April 15 of each year. The applicant must be 65 years of age before April 1 of the tax year for which the application is being made. No exemption shall be allowed under this statute unless the person applying therefor:

1. Has resided in the state for at least 3 consecutive years preceding April 1 in the year in which the exemption is claimed.

2. In the calendar year preceding April 1, had a net income from all sources, of if married, combined incomes from all sources, of not more than the respective amount applicable to each age group as determined by the city or town for purposes of RSA 72:39-b. The minimum set by the state is \$13,400 for single and \$20,400 for married persons. Net income shall be determined by deducting from all monies received, from any source including social security or pension payments, the amount of any of the following or the sum thereof:

- a. Life insurance paid on the death of an insured;
- b. Expenses and costs of conducting a business enterprise;
- c. Proceeds from the sale of assets;

3. Owns assets not in excess of the amount determined by the town or city, excluding the value of the person's actual residence and the land upon which it is located up to the greater of 2 acres or the minimum single-family residential lot size specified in the local zoning ordinance. The amount determined by the town or city shall not be less than \$35,000. "Net assets" means the value of all assets, tangible and intangible, minus the value of any good faith encumbrances.

4. The property must be owned by the resident; or

a. Owned by the resident jointly or in common with the resident's spouse, either of whom meets the age requirement;

b. Owned by the 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.

5. Upon the death of an owner residing with a spouse, the combined net asset amount for married persons shall continue to apply to the surviving spouse until the sale or transfer of the property by the surviving spouse or until the remarriage of the surviving spouse.

6. Under no circumstances shall the amounts of the exemption for any age category be less than \$5,000.

The Lebanon City Council on February 7, 2001 voted in the following:

Income not in excess of \$36,800 for both single and married applicants, and assets not in excess of \$100,000

The Lebanon City Council on November 16, 2005 voted in the following:

- Ages 65-74 - \$45,000 reduction in assessed value
- Ages 75-79 - \$80,000 reduction in assessed value
- Ages 80+ - \$170,000 reduction in assessed value

The amount of the exemption is subtracted from the total assessment before the tax rate is applied.

Veterans' Tax Credits

The standard veterans' tax credit program is for veterans and/or their spouses. The credit reduces the total tax owed by the credit amount. A copy of the veteran's proof of service is required (DD-214).

Standard Veterans' Tax Credit

The standard veterans' tax credit is governed by NH RSA 72:28. To qualify for this credit, the applicant must:

1. Reside in the state and has served not less than 90 days on active service in the armed forces of the United States in any qualifying war or armed conflict determined by the State;
2. Be honorably discharged or be an officer honorably separated from service;
3. Be the spouse or surviving spouse of such resident;
4. Title 10 training for active duty by a member of the National Guard or reserve shall be included as service;
5. Be terminated from the armed forces because of service-connected disability, or the surviving spouse of such resident;
6. Be the surviving spouse of any resident who suffered a service-connected death

Qualifying wars or armed conflicts:

- a. World War I – Between April 6, 1917 and November 11, 1918
- b. World War II – Between December 7, 1941 and December 31, 1946
- c. Korean Conflict – Between June 25, 1950 and January 31, 1955
- d. Vietnam Conflict – Between December 22, 1961 and May 7, 1975
- e. Vietnam Conflict – Between July 1, 1958 and December 22, 1961, if the resident earned the Vietnam Service Medal or Armed Forces Expeditionary Medal
- f. Persian Gulf War – Between August 2, 1990 and the date thereafter prescribed by Presidential proclamation or by law
- g. Any other war or armed conflict that has occurred since May 8, 1975 in which the resident earned an Armed Forces Expeditionary Medal or Theater of Operations Service Medal

On February 7, 1990 the Lebanon City Council voted to increase the standard veterans' tax credit from \$50.00 to \$100.00 for eligible veterans or their surviving spouses.

Service-Connected Total and Permanent Disability Tax Credit

The service-connected total and permanent disability credit is governed by NH RSA 72:35. To qualify for this credit, the applicant must:

1. Reside in the state for at least one year preceding April 1 in the year in which the tax credit is claimed
2. Has been honorably discharged or an officer honorably separated from military service and who has a total and permanent service-connected disability, or who is a double amputee or paraplegic because of service-connected injury, or the surviving spouse of such a person

On September 15, 1993 the Lebanon City Council voted to increase the service-connected total and permanent disability credit from \$700 to \$1,400.

All Veterans' Tax Credit

This optional veterans' tax credit has not yet been adopted by the Lebanon City Council. Applicants are not eligible for this credit if they receive the standard veterans' credit already adopted by the Lebanon City Council.

The all veterans' tax credit became effective as of June 8, 2017 by vote of the legislature. The credit under this section shall be the same as the amount of the standard veterans' tax credit in effect under NH RSA 72:28. A city or town with an existing standard veterans' tax credit which adopts the credit under this section may phase in the amount of the all veterans' tax credit over a 3-year period to match the standard veterans' tax credit. The applicant is not required to serve in a qualifying war or conflict or earn a qualifying medal as determined by the State and listed in NH RSA 72:28 in order to qualify.

The all veterans' tax credit is governed by NH RSA 72:28-b. To qualify for this credit, the applicant must:

1. Reside in the state and has served not less than 90 days on active service in the armed forces of the United States;
2. Be honorably discharged or an officer honorably separated from service;
3. Be the spouse or surviving spouse of such resident;
4. Title 10 training for active duty by a member of the National Guard or reserve shall be included as service;
5. The applicant is not eligible for this tax credit if receiving a standard veterans' tax credit under NH RSA 72:28 or NH RSA 72:35.

The all veterans' tax credit shall be subtracted each year from the property tax on the veteran's residential property.

Over the years the city has disqualified veterans applying for the current standard veterans' credit as they did not serve in a qualifying war or conflict nor earned an armed forces expeditionary medal or theater of operations service medal as required by State law. If the all veterans' tax credit is adopted by the Lebanon City Council, more veterans will be eligible to receive this credit if they meet the more relaxed qualifications as listed above.

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