THE STATE NEEDS TO KEEP IT'S PROMISES

By Jerry Harden

The state has broken its promise to seniors participating in the popular Senior Real Estate Tax Deferral Program. The state promised to help low income homeowners stay in their homes by reducing their living costs. The state agreed to pay real estate taxes owed to their county. It was recognized this plan would save the state from paying for more expensive alternatives.

Originally, the program was to be self supporting after initial state funding. The plan was for the state to pay counties for taxes owed by qualified participants. It was agreed the state would be repaid, with interest, upon death or sale of the home. It was assumed as the deferred taxes were repaid, with accumulated interest, there would be funding available for new participants.

Since the real estate collapse beginning in 2007added to declining state revenues, the state needed to make changes. The state was paying out more money than the program was returning. No one questioned this was unsustainable. In an effort to resolve the issue, the 2011 legislature passed HB 2543.

The decision to disqualify any participant who had taken out a reverse mortgage caused outrage.
Another provision disqualified participants who had lived in their home less than five years. About half of the participants were terminated.

The 2013 legislature is considering revising the program. HB 2510 has been introduced and should be passed, with one critical change. This bill basically restores the program to its status prior to 2011. This would allow participants to continue to receive the benefits the state had promised. In the meantime, the projected funding crises has been largely averted. Program reserves are again projected to be adequate and the future is promising. The state can afford to keep its promises.

The provision I challenge would require county assessors to certify subject properties have sufficient equity to repay the state in the event of death or sale of the home. This provision should be dropped. It would create a nightmare for assessors, as they would need to verify loan documents with banks, physically examine the condition of the home, and review court documents for liens in order to estimate owner equity. It is impractical and unnecessary.

This change also fails to acknowledge the real estate collapse has left thousands of low income homeowners "underwater". They owe more than the value of their home. They are unable to sell their home for what they owe and are unable to pay the unexpected tax bill they had been promised would be deferred. Many would be forced into bankruptcy. Forcing them out of their homes makes them victims of the very program intended to help them.

It makes sense to periodically institute revised requirements for new applicants reflecting changed conditions. However, previously approved participants should be "grandfathered" into the program according to the terms and conditions in place when admitted.

Any potential loss as a result of grandfathering can be covered by making other changes. For example, remaining eligible will be residents with a net worth of up to $500,000, <u>exclusive</u> of the value of the subject home, vehicles, personal possessions, jewelry and other items of value. These people should not qualify for state subsidy. Low income citizens often have little net worth, if any, Lowering the net worth cap to $50,000 would result in substantial savings.

A simple, more equitable approach to the tax deferral program would be to limit the amount paid by the state to $2,000 per account, for example. The disparity between high and low tax counties could be indexed. The most deserving of our citizens are likely to owe less than $2,000 annually. This change would target the low income participants in the original intent of the program.

At his "State of the Union" address, President Obama stated, "Our government shouldn't make promises we cannot keep-but we must keep the promises we have already made". Good advice for our representatives and senators!

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