Fairfield Taxpayer

# SECOND, PLEASE, "MILLIONAIRES DON'T NEED TAX CREDITS"

## PROPOSED CHANGES TO SENIOR & DISABLED TAX RELIEF PROGRAM – PART II

The proposed changes to Fairfield's Senior & Disabled Tax Relief (SDTR) Program are a classic example of the old saying, "*What gets measured gets done*." Since we can't measure the effectiveness of the SDTR Program, but we do measure the number of participants, the SDTR Committee wants to add more participants. **This means that instead of increasing aid to our most vulnerable seniors** (i.e., those with the lowest incomes and assets), **the Committee wants to provide credits to seniors with much higher incomes and assets, including some with $90,000 incomes**, **$1.1 million homes[1] and substantially more than $650,000 in retirement savings and other assets**. *Prima facie*, this is not good public policy.

As explained in *Fairfield Taxpayer*'s (FT) previous paper on this subject ("***First, Please, "Do No Harm***"),[2] the Committee's proposal to replace the **asset test** with an **assessment limit** is likely to result in an increase in participants that is much greater than the proposed 23% increase in SDTR funding. As the Committee belatedly recognized, this could result in a substantial cut in credits for current participants, so it is now proposing to protect current participants from any cuts. **If so, *new participants* will receive much lower credits than current participants, *current participants* will get no increases, and thus it is quite possible that more seniors will sell their homes than would have if we made no changes.**

Accordingly, FT continues to recommend that **no changes to the SDTR Program should be approved until the Committee demonstrates that the program works well, that it will work even better as a result of any proposed changes, that rational metrics have been established to assess its effectiveness, and that current participants will not be hurt.** ***Replacing the $650,000 asset test with a $750,000 assessment limit combined with a lower cap on total SDTR spending is likely to result in EITHER substantial cuts for current participants (among whom are probably the people who need tax relief most), OR a very complicated two-tier program that relegates new participants each year (some of whom will have very low incomes) to second-class status with much lower benefits.[3]***

Until we create better measures of effectiveness, we must rely on common sense, which dictates that providing $1,100 more in assistance to seniors with, say, **$14,000** incomes living in median-value homes who must currently spend **36%** of their low incomes on property taxes, is more likely to keep more seniors in their homes than giving that $1,100 to seniors with **$90,000** incomes living in an equivalent home so they can spend only **11% instead of 12%** of their high incomes on property taxes. ***Instead of adding more participants and then trying to protect current participants from cuts by forcing the new participants to accept much lower credits, any additional funds the Town decides it can afford to spend on SDTR should go to the senior and disabled homeowners who need it most***.

After providing some high-level economic perspective, the rest of this paper examines: (a) how the current SDTR program works; (b) how the proposed changes would affect how it works; and (c) how we might be able to make it work better. As noted later, the "Alternative A" proposal we describe is not presumed to be optimal and is instead offered only to illustrate how we believe the Committee should think about our options, and to provide a framework for informed public debate.

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[1] $1.1 million in market value corresponds to the proposed upper assessment limit of $750,000.

[2] http://www.fairfieldtaxpayer.com/uploads/1/1/1/8/11185705/first_please_do_no_harm__12.15.18.pdf

[3] Different benefits for similar homeowners may also not be legal under State statute.

**Some High-Level Economic Perspective on the SDTR Program**

As stated in our earlier paper, **FT is in favor of programs that benefit seniors**, which is consistent with our stated mission of keeping Fairfield affordable and desirable for all residents. However, particularly at a time when our Town faces so many challenges to its ability to continue to prosper, we are also in favor of spending the taxpayers' money very carefully and based on a clear understanding of the intended purpose and its cost-effectiveness. It is not clear exactly what the SDTR Program is trying to accomplish by "*assisting elderly homeowners with a portion of the costs of property taxation*" or how we should measure its performance, but it appears that the **primary objective is to keep seniors in their homes longer than they would otherwise stay by helping them pay their taxes**. This paper is written based on that key assumption, but FT is happy to revisit the subject if the Town decides to define the Program's objectives differently.

Although we don't have the data we need to analyze the Program's costs and benefits, one useful exercise is to consider how, if we did have the data, we would justify spending, as we are, ~$4 million per year (or ~$40 million every ten years). In addition to the many good reasons to keep seniors in Fairfield, the economic rationale for SDTR is that keeping seniors in their homes is that they generally contribute more in taxes than they consume in public services. This is because they generally no longer put children in our public schools (where the **>$20,000** average cost/student is now almost twice the **~$11,000** taxes on the median **~$600,000** home). Since a senior-owned median home theoretically consumes only its **$5,000** proportionate share of the cost of **municipal services** (~$100 million / ~20,000 households), there is a **$6,000 surplus** to the Town. However, if that median home is sold to an average school family with **1.67** public-school students (~10,000 students / ~6,000 households), then we must add **$33,333** for **education services** (1.67 x $20,000) raising the total cost of public services to **$38,333**, which results in a **$27,333 deficit**, and **a $33,333 negative swing** (from +$6,000 to -$27,333).

However, not every buyer of a senior's home will put children in our public schools. So, to determine the **expected value** of a senior home sale, we must discount the potential negative swing by the probability that the buyer will have public-school students. If this probability were 30%, then the expected value would be **$10,000** (30% of $33,333). However, even if we gave every senior $10,000, we know some of them would still sell their homes for other reasons. So, we need to apply another discount, which is the probability that our tax credit is a decisive reason that a senior would decide not to sell. If this probability were also 30%, then the adjusted expected value becomes **$3,000** (30% of $10,000). Looking at a range of combinations of both probabilities, and based on the admittedly simplistic (albeit plausible) assumptions we have made, this analysis suggests that the current actual average tax credit of **~$2,500** implicitly assumes that there is roughly a **25%-30%** probability that an average buyer has (or will soon have) public-school children, and a **25%-30%** probability that tax credits are a decisive factor in the decision for an average senior seller.

| **Expected Value Analysis Assuming $33,333 Cost & Probabilities:** | | | | | |
|---|---|---|---|---|---|
| **That Tax Cr.** | **That Buyer Will Have Public School Children** | | | | |
| **Decisive** | **20%** | **27.5%** | **30%** | **40%** | **50%** |
| **10%** | **$667** | **$917** | **$1,000** | **$1,333** | **$1,667** |
| **20%** | **$1,333** | **$1,833** | **$2,000** | **$2,667** | **$3,333** |
| **27.5%** | **$1,833** | **$2,521** | **$2,750** | **$3,667** | **$4,583** |
| **30%** | **$2,000** | **$2,750** | **$3,000** | **$4,000** | **$5,000** |
| **40%** | **$2,667** | **$3,667** | **$4,000** | **$5,333** | **$6,667** |
| **50%** | **$3,333** | **$4,583** | **$5,000** | **$6,667** | **$8,333** |

Until we have better data to measure the SDTR Program's effectiveness, policy makers can ponder whether these are good assumptions along with an important related issue, which is **how we can do a better job of retaining all those equally important seniors who either do not receive tax credits or do not regard tax credits to be a decisive factor.** **In other words, we should be targeting all seniors with programs, services and amenities that make them want to stay in Fairfield and spending an incremental dollar in that way may be far more cost-effective than spending more money on tax credits.**

## HOW THE CURRENT PROGRAM WORKS (AND DOESN'T WORK)

The current program gives credits to eligible, lower-income homeowners based on certain **percentages of taxes due**, subject to a cap on the **absolute dollar amount**. For example, if your income is **$17,600**, you can get a credit equal to **67%** of your taxes due up to a maximum of **$5,000**.

| CURRENT TOWN SDTR PROGRAM | | | | |
|---|---|---|---|---|
| Income Brackets | | Credit Limits | | Number |
| Low | High | % of Tax | Dollars | 1336 |
| $0 | $17,600 | 67% | $5,000 | 122 |
| $17,601 | $25,100 | 60% | $4,500 | 203 |
| $25,101 | $31,000 | 50% | $3,700 | 177 |
| $31,001 | $37,100 | 42% | $3,500 | 185 |
| $37,101 | $45,600 | 33% | $2,700 | 198 |
| $45,601 | $53,200 | 25% | $2,000 | 147 |
| $53,201 | $73,500 | 15% | $1,400 | 304 |

The actual Town credits for various combinations of income and home values are shown in the second table, with the gray-shaded credits determined by "percentage of taxes due" (ranging from 15% to 67%), and the blue-shaded credits determined by the caps on the dollar amount of the credit (ranging from $1,400 to $5,000).

| | TOWN CREDIT ON HOMES ASSESSED AT: | | | | |
|---|---|---|---|---|---|
| Avg. Inc. | $200,000 | $250,000 | $300,000 | $420,000 | $600,000 |
| $14,000 | $3,532 | $4,415 | $5,000 | $5,000 | $5,000 |
| $21,351 | $3,163 | $3,954 | $4,500 | $4,500 | $4,500 |
| $28,051 | $2,636 | $3,295 | $3,700 | $3,700 | $3,700 |
| $34,051 | $2,214 | $2,768 | $3,321 | $3,500 | $3,500 |
| $41,351 | $1,740 | $2,175 | $2,610 | $2,700 | $2,700 |
| $49,401 | $1,318 | $1,648 | $1,977 | $2,000 | $2,000 |
| $63,351 | $791 | $989 | $1,186 | $1,400 | $1,400 |

In addition, as shown in the third table, a senior whose income is below $43,000 also qualifies for a State tax credit, which varies as a function of income and marital status.[4]

| | | STATE TAX CREDITS | | | | | |
|---|---|---|---|---|---|---|---|
| Income Brackets | | % of Tax | | Maximum Dollars | | Minimum Dollars | |
| Low | High | Married | Single | Married | Single | Married | Single |
| $0 | $17,700 | 50% | 40% | $1,250 | $1,000 | $400 | $350 |
| $17,700 | $23,700 | 40% | 30% | $1,000 | $750 | $350 | $250 |
| $23,700 | $29,600 | 30% | 20% | $750 | $500 | $250 | $150 |
| $29,600 | $35,300 | 20% | 10% | $500 | $250 | $150 | $150 |
| $35,300 | $43,000 | 10% | 0% | $250 | $0 | $150 | $0 |

Both the Local and State programs are based on the implicit principle that Tax Credits should be progressive as a function of income (i.e., the higher your income the lower your credit). Accordingly, if your income is only **$14,000** and you live in a home assessed at **$200,000**, you are entitled to a Town credit of **67%** of your **$5,272** taxes ($200,000 x the current mill rate of 26.36), or **$3,532**, and to an additional State credit of **$1,027**, and so you pay only **$713** ($5,272 minus

[4] Based on the actual marital status of current Fairfield SDTR participants, the weighted average credits for each of the five lowest income brackets in the table, in ascending order, are $1,027, $778, $542, $303 and $67.

$3,532 minus $1,027). However, if your income is **$65,000** and you live in an equivalent home, your Town credit is only **$791** and you get no State credit, so you must pay **<u>$4,481</u>** in taxes ($5,272 minus $791)**.** Further up the home-value scale, if your house is assessed at **$420,000** and your income is **$14,000**, you pay **<u>$5,044</u>** in taxes after a **$5,000** Town Credit and a **$1,027** State Credit, but if your income is **$65,000**, you will pay **<u>$9,671</u>** after a $1,400 Town Credit and no State Credit. <u>So far, so good</u>.

However, if we compute taxes paid after all credits (i.e., Town and State) and compare them to income, it becomes apparent that this structure has some perverse effects. In any bracket, **the Program expects you to spend more and more of your income as the value of your home rises**. For example, you are expected to spend only **5%** of your $14,000 income if you live in a $200,000 home, but **36%** of the same income if you live in a median-value home assessed at $420,000 (70% of $600,000). Moreover, this pattern of expecting seniors to pay more of their income in taxes as a function of home value, paradoxically, applies less drastically for those in higher income brackets. In other words, the SDTR Program is saying that it is more important to keep seniors in lower-priced homes than in even median-priced homes and that it is better to protect higher-income seniors from this perverse effect. **<u>Giving preference to seniors in the lowest-value homes and punishing lower-income seniors more than higher-income seniors as home values rise all seems very contrary to the intent of the Program, which presumably is to keep *ALL* seniors in their homes longer than they would otherwise stay</u>.**

| | PAYMENT/AVG. INCOME AT HOMES ASSESSED AT: | | | | |
|---|---|---|---|---|---|
| **Avg. Inc.** | **$200,000** | **$250,000** | **$300,000** | **$420,000** | **$600,000** |
| **$14,000** | 5.1% | 8.2% | 13.4% | 36.0% | 69.9% |
| **$21,351** | 6.2% | 8.7% | 12.3% | 27.1% | 49.4% |
| **$28,051** | 7.5% | 9.8% | 13.1% | 24.3% | 41.3% |
| **$34,051** | 8.1% | 10.3% | 12.6% | 21.3% | 35.3% |
| **$41,351** | 8.4% | 10.5% | 12.7% | 20.1% | 31.6% |
| **$49,401** | 8.0% | 10.0% | 12.0% | 18.4% | 28.0% |
| **$63,351** | 7.1% | 8.8% | 10.6% | 15.3% | 22.8% |

This table also shows that, in some cases, the current structure also perversely favors higher-income homeowners in another way by expecting them to spend only an equal or even a smaller share of their income on property taxes than lower-income homeowners.

Finally, as the second table shows, the average Town credit is **~$2,500** and the total cost is **~$3.4 million**. [*Please note that the Average Credits shown for each income bracket in this table are merely plausible estimates, not actual figures (the Tax Assessor could provide actual numbers), but the **Average Credit ($2,543)** and the **Program Cost ($3.4 million)** are close to what we know the actual numbers to be.*]

| AVERAGE CREDIT AND PROGRAM COST | | | |
|---|---|---|---|
| **Average Credit** | **Current Weight** | **Weighted Average** | **Program Cost** |
| $4,300 | 9.1% | $393 | $524,600 |
| $3,800 | 15.2% | $577 | $771,400 |
| $3,100 | 13.2% | $411 | $548,700 |
| $2,900 | 13.8% | $402 | $536,500 |
| $2,300 | 14.8% | $341 | $455,400 |
| $1,750 | 11.0% | $193 | $257,250 |
| $1,000 | 22.8% | $228 | $304,000 |
| **Average Credit** | | **$2,543** | **$3,397,850** |

**<u>HOW THE COMMITTEE'S PROPOSED CHANGES WOULD WORK</u>**

In addition to the mandatory COLA adjustments to the seven income brackets, the SDTR Committee has proposed several important changes to the current program:

- Raise the "dollar" limits for each income bracket by $500.
- Raise the "percentage of taxes" limits for every income bracket.

- Create another bracket for homeowners with incomes from $75,100 to $90,000.
- Replace the $650,000 **asset** limit with a $750,000 **assessment** limit.
- Reduce the overall cap on the SDTR Program's cost from 2.5% to 1.6% of taxes levied on real property.

Having addressed the potential adverse effects of the last two changes in our earlier paper on this subject, we will focus here on the likely effects of the first three changes on the distribution of tax-credit benefits. The proposed new limits are provided in the first table on the right. If these proposed changes were made, the magnitude of Town credits for most combinations of incomes and home values would generally rise 10%-12% (more on this later).

| NEW LIMITS PROPOSED BY COMMITTEE | | | |
|---|---|---|---|
| Income Brackets | | Limits | |
| Low | High | % of Tax | Dollars |
| $0 | $18,100 | 75% | $5,500 |
| $18,100 | $25,700 | 66% | $5,000 |
| $25,700 | $31,700 | 55% | $4,200 |
| $31,700 | $37,900 | 46% | $4,000 |
| $37,900 | $46,600 | 36% | $3,200 |
| $46,600 | $54,500 | 28% | $2,500 |
| $54,500 | $75,100 | 17% | $1,900 |
| $75,100 | $90,000 | 10% | $1,200 |

However, as is apparent in the second table, **the proposed changes do nothing to mitigate the regressive features of the current program**. For example, participants in the lowest income bracket are still expected to spend rising and, in some cases, much higher percentages of their income on taxes. Those with incomes of $14,000 would have to spend only **2.1%** of their incomes to pay the taxes on a $200,000 home, but they would have to spend **32.5%** of the same income for a median home, and substantially more for homes above the median. This table also demonstrates that the escalation of tax payments as a percent of income would still apply to all income brackets, though paradoxically (and regressively), the increases would be even less severe for higher-income taxpayers than they are now. The problem of favoring higher-income seniors in more expensive homes has been accentuated because, as shown in the third table, the biggest increases in Town credits (highlighted in yellow) are provided to those participants, including a new bracket for those with incomes between $75,100 and $90,000.

| | PAYMENT/AVG. INCOME AT HOMES ASSESSED AT: | | | | |
|---|---|---|---|---|---|
| Avg. Inc. | $200,000 | $250,000 | $300,000 | $420,000 | $600,000 |
| $14,000 | 2.1% | 4.4% | 9.9% | 32.5% | 66.4% |
| $21,900 | 4.6% | 6.7% | 9.7% | 24.2% | 45.8% |
| $28,700 | 6.4% | 8.4% | 11.0% | 22.1% | 38.6% |
| $34,800 | 7.3% | 9.4% | 11.4% | 19.4% | 33.1% |
| $42,250 | 7.8% | 9.8% | 11.8% | 18.5% | 29.7% |
| $50,550 | 7.5% | 9.4% | 11.3% | 17.0% | 26.3% |
| $64,800 | 6.8% | 8.4% | 10.1% | 14.2% | 21.5% |
| $82,550 | 5.7% | 7.2% | 8.6% | 12.1% | 17.7% |

| | CHANGES IN TOWN CREDIT AT VARIOUS HOME VALUES | | | | |
|---|---|---|---|---|---|
| Avg. Inc. | $200,000 | $250,000 | $300,000 | $420,000 | $600,000 |
| $14,000 | 11.9% | 11.9% | 10.0% | 10.0% | 10.0% |
| $21,900 | 10.0% | 10.0% | 11.1% | 11.1% | 11.1% |
| $28,700 | 10.0% | 10.0% | 13.5% | 13.5% | 13.5% |
| $34,800 | 9.5% | 9.5% | 9.5% | 14.3% | 14.3% |
| $42,250 | 9.1% | 9.1% | 9.1% | 18.5% | 18.5% |
| $50,550 | 12.0% | 12.0% | 12.0% | 25.0% | 25.0% |
| $64,800 | 13.3% | 13.3% | 13.3% | 34.4% | 35.7% |
| $82,550 | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Finally, we would note that giving modest credits (e.g., $1,200) to high-income homeowners is probably not cost-effective because those credits will never be decisive in their decisions to sell or not sell.

**For all these reasons, Fairfield Taxpayer believes that the changes proposed by the Committee would be counter-productive because they are likely to force more seniors out of all but the lowest-value homes.**

Finally, the effect of the proposed changes on the average credit would be small, but the program cost would rise by ~$800,000 from ~$3.4 million to ~$4.2 million because the Committee expects the number of participants to increase 22% (as explained in our previous paper, FT believes the actual increase in participants would be much greater). [*Once again we caution that the Average Credits in this table are estimates, not actual numbers. In this case, actual numbers would be available only after the changes were implemented, but we believe the estimates are a fair approximation of the likely effects.*]

| AVERAGE CREDIT AND PROGRAM COST | | | |
|---|---|---|---|
| Average Credit | Weight | Weighted Average | Program Cost |
| $5,000 | 7.5% | $372.86 | $610,000 |
| $4,200 | 12.4% | $521.15 | $852,600 |
| $3,500 | 10.8% | $378.67 | $619,500 |
| $3,300 | 11.3% | $373.17 | $610,500 |
| $2,700 | 12.1% | $326.77 | $534,600 |
| $2,000 | 9.0% | $179.71 | $294,000 |
| $1,400 | 18.6% | $260.15 | $425,600 |
| $850 | 18.3% | $155.87 | $255,000 |
| Average Credit | | $2,568 | $4,201,800 |

## HOW A BETTER PROGRAM MIGHT WORK

The proposed changes in what we call, "Alternative A," are quite different from those proposed by the Committee because they concentrate any additional funds in income brackets where they are likely to do the most good.

- First, we eliminate the proposed higher income bracket ($75,100-$90,000).
- Second, we reset both the "percentage-of-tax" and "dollar" limits to benefit primarily the lowest income brackets.

| "ALTERNATIVE A" PROPOSAL | | | | | |
|---|---|---|---|---|---|
| Income Brackets | | | Limits | | Homes |
| Low | High | Average | % of Tax | Dollars | 1336 |
| $0 | $18,100 | $14,000 | 75% | $7,500 | 122 |
| $18,100 | $25,700 | $21,900 | 70% | $7,000 | 203 |
| $25,700 | $31,700 | $28,700 | 65% | $6,000 | 177 |
| $31,700 | $37,900 | $34,800 | 55% | $5,000 | 185 |
| $37,900 | $46,600 | $42,250 | 45% | $4,000 | 198 |
| $46,600 | $54,500 | $50,550 | 30% | $3,000 | 147 |
| $54,500 | $75,100 | $64,800 | 15% | $1,500 | 304 |
| $75,100 | $90,000 | $82,550 | 0% | $0 | 0 |

As you can see in the third table on the right, the biggest increases in credits now go to those with the lowest incomes living in more expensive homes, namely those who are currently disadvantaged by the current program, and who are most at risk of being forced to sell.

| | CHANGES IN TOWN CREDIT AT VARIOUS HOME VALUES | | | | |
|---|---|---|---|---|---|
| Avg. Inc. | $200,000 | $250,000 | $300,000 | $420,000 | $600,000 |
| $14,000 | 11.9% | 12.0% | 18.6% | 50.0% | 50.0% |
| $21,900 | 16.7% | 16.7% | 23.0% | 55.6% | 55.6% |
| $28,700 | 30.0% | 30.0% | 38.9% | 62.2% | 62.2% |
| $34,800 | 31.0% | 31.0% | 30.9% | 42.9% | 42.9% |
| $42,250 | 36.3% | 36.4% | 36.4% | 48.1% | 48.1% |
| $50,550 | 20.0% | 20.0% | 20.0% | 50.0% | 50.0% |
| $64,800 | 0.0% | 0.0% | 0.0% | 7.1% | 7.1% |
| $82,550 | No Credit | No Credit | No Credit | No Credit | No Credit |

If our objective is to keep seniors in their homes, then presumably we should **start with what we think seniors can afford to pay in property taxes based on their incomes, and then, as best we can, provide credits that keep all seniors in that income level at the same percent of income**, **irrespective of the value of their homes**.

|  | PAYMENT/AVG. INCOME AT HOMES ASSESSED AT: | | | | |
|---|---|---|---|---|---|
| **Avg. Inc.** | **$200,000** | **$250,000** | **$300,000** | **$420,000** | **$600,000** |
| **$14,000** | **2.1%** | **4.4%** | **6.8%** | **18.2%** | **52.1%** |
| **$21,900** | **3.7%** | **5.5%** | **7.3%** | **15.0%** | **36.7%** |
| **$28,700** | **4.5%** | **6.1%** | **7.8%** | **15.8%** | **32.3%** |
| **$34,800** | **5.9%** | **7.7%** | **9.4%** | **16.6%** | **30.2%** |
| **$42,250** | **6.7%** | **8.4%** | **10.1%** | **16.6%** | **27.8%** |
| **$50,550** | **7.3%** | **9.1%** | **11.0%** | **16.0%** | **25.4%** |
| **$64,800** | **6.9%** | **8.6%** | **10.4%** | **14.8%** | **22.1%** |
| **$82,550** | 6.4% | 8.0% | 9.6% | 13.4% | 19.2% |

Policy makers can and should debate just how high we should go in terms of home value (i.e., at some point, it is simply not practical to try to keep very low-income seniors in very expensive homes). One plausible policy position would be to cap the maximum dollar amount for every income bracket at the level of the credit set for the median-value home (which, by definition, would mean that seniors living in homes valued in the lower half of Fairfield's homes would be equally protected). If we did this, no matter how much more a senior may owe in taxes on an above-median-value home, his/her tax credit would be capped at the level that applies to a median-value home. The specific "percentage of tax" and "dollar" limits we have used in Alternative A are not presumed to be optimal.[5] They are merely designed to illustrate how we believe the Committee should think about our options, and to provide a framework for informed public debate.

| AVERAGE CREDIT AND PROGRAM COST | | | |
|---|---|---|---|
| **Average Credit** | **Weight** | **Weighted Average** | **Program Cost** |
| **$5,500** | **9.1%** | **$502.25** | **$671,000** |
| **$5,200** | **15.2%** | **$790.12** | **$1,055,600** |
| **$4,700** | **13.2%** | **$622.68** | **$831,900** |
| **$4,000** | **13.8%** | **$553.89** | **$740,000** |
| **$3,250** | **14.8%** | **$481.66** | **$643,500** |
| **$2,250** | **11.0%** | **$247.57** | **$330,750** |
| **$1,250** | **22.8%** | **$284.43** | **$380,000** |
| **$0** | **0%** | **$0.00** | **$0** |
| **Average Credit** | | **$3,483** | **$4,652,750** |

As shown in the final table on the right, the average credit in FT's Proposal would rise by around $1,000 to ~$3,500, and the program cost would increase by $1.3 million, which **we understand is not practical to achieve in one year**. So, Alternative A is offered as the kind of target the Town should adopt and would seek to achieve over several years depending on our ability to allocate more funds to SDTR.

January 4, 2019

[5] For example, under State statute, the Town credit as a percent of taxes due cannot exceed 75%, but a higher credit might actually be optimal.

| CURRENT TOWN SDTR PROGRAM | | | | | |
|---|---|---|---|---|---|
| Income Brackets | | | Credit Limits | | Homes |
| Low | High | Average | % of Tax | Dollars | 1336 |
| $0 | $17,600 | $14,000 | 67% | $5,000 | 122 |
| $17,601 | $25,100 | $21,351 | 60% | $4,500 | 203 |
| $25,101 | $31,000 | $28,051 | 50% | $3,700 | 177 |
| $31,001 | $37,100 | $34,051 | 42% | $3,500 | 185 |
| $37,101 | $45,600 | $41,351 | 33% | $2,700 | 198 |
| $45,601 | $53,200 | $49,401 | 25% | $2,000 | 147 |
| $53,201 | $73,500 | $63,351 | 15% | $1,400 | 304 |
| Mkt.Value | $285,714 | $357,143 | $428,571 | $600,000 | $857,143 |
| Assessmnt | $200,000 | $250,000 | $300,000 | $420,000 | $600,000 |
| Taxes Due | $5,272 | $6,590 | $7,908 | $11,071 | $15,816 |

| AVERAGE CREDIT AND PROGRAM COST | | | |
|---|---|---|---|
| Average Credit | Current Weight | Weighted Average | Program Cost |
| $4,300 | 9.1% | $393 | $524,600 |
| $3,800 | 15.2% | $577 | $771,400 |
| $3,100 | 13.2% | $411 | $548,700 |
| $2,900 | 13.8% | $402 | $536,500 |
| $2,300 | 14.8% | $341 | $455,400 |
| $1,750 | 11.0% | $193 | $257,250 |
| $1,000 | 22.8% | $228 | $304,000 |
| Average Credit | | $2,543 | $3,397,850 |

| | TOWN CREDIT ON HOMES ASSESSED AT: | | | | |
|---|---|---|---|---|---|
| Avg. Inc. | $200,000 | $250,000 | $300,000 | $420,000 | $600,000 |
| $14,000 | $3,532 | $4,415 | $5,000 | $5,000 | $5,000 |
| $21,351 | $3,163 | $3,954 | $4,500 | $4,500 | $4,500 |
| $28,051 | $2,636 | $3,295 | $3,700 | $3,700 | $3,700 |
| $34,051 | $2,214 | $2,768 | $3,321 | $3,500 | $3,500 |
| $41,351 | $1,740 | $2,175 | $2,610 | $2,700 | $2,700 |
| $49,401 | $1,318 | $1,648 | $1,977 | $2,000 | $2,000 |
| $63,351 | $791 | $989 | $1,186 | $1,400 | $1,400 |

| | PAYMENT AFTER LOCAL AND STATE CREDITS | | | | |
|---|---|---|---|---|---|
| Avg. Inc. | $200,000 | $250,000 | $300,000 | $420,000 | $600,000 |
| $14,000 | $713 | $1,148 | $1,881 | $5,044 | $9,789 |
| $21,351 | $1,331 | $1,858 | $2,630 | $5,793 | $10,538 |
| $28,051 | $2,094 | $2,753 | $3,666 | $6,829 | $11,574 |
| $34,051 | $2,755 | $3,519 | $4,284 | $7,268 | $12,013 |
| $41,351 | $3,465 | $4,348 | $5,231 | $8,304 | $13,049 |
| $49,401 | $3,954 | $4,943 | $5,931 | $9,071 | $13,816 |
| $63,351 | $4,481 | $5,602 | $6,722 | $9,671 | $14,416 |

| | PAYMENT/AVG. INCOME AT HOMES ASSESSED AT: | | | | |
|---|---|---|---|---|---|
| Avg. Inc. | $200,000 | $250,000 | $300,000 | $420,000 | $600,000 |
| $14,000 | 5.1% | 8.2% | 13.4% | 36.0% | 69.9% |
| $21,351 | 6.2% | 8.7% | 12.3% | 27.1% | 49.4% |
| $28,051 | 7.5% | 9.8% | 13.1% | 24.3% | 41.3% |
| $34,051 | 8.1% | 10.3% | 12.6% | 21.3% | 35.3% |
| $41,351 | 8.4% | 10.5% | 12.7% | 20.1% | 31.6% |
| $49,401 | 8.0% | 10.0% | 12.0% | 18.4% | 28.0% |
| $63,351 | 7.1% | 8.8% | 10.6% | 15.3% | 22.8% |

| CHANGES PROPOSED BY THE COMMITTEE | | | | | |
|---|---|---|---|---|---|
| Income Brackets | | | Limits | | Homes |
| Low | High | Average | % of Tax | Dollars | 1636 |
| $0 | $18,100 | $14,000 | 75% | $5,500 | 122 |
| $18,100 | $25,700 | $21,900 | 66% | $5,000 | 203 |
| $25,700 | $31,700 | $28,700 | 55% | $4,200 | 177 |
| $31,700 | $37,900 | $34,800 | 46% | $4,000 | 185 |
| $37,900 | $46,600 | $42,250 | 36% | $3,200 | 198 |
| $46,600 | $54,500 | $50,550 | 28% | $2,500 | 147 |
| $54,500 | $75,100 | $64,800 | 17% | $1,900 | 304 |
| $75,100 | $90,000 | $82,550 | 10% | $1,200 | 300 |
| Mkt.Value | $285,714 | $357,143 | $428,571 | $600,000 | $857,143 |
| Assessmnt | $200,000 | $250,000 | $300,000 | $420,000 | $600,000 |
| Taxes Due | $5,272 | $6,590 | $7,908 | $11,071 | $15,816 |

| AVERAGE CREDIT AND PROGRAM COST | | | |
|---|---|---|---|
| Average Credit | Weight | Weighted Average | Program Cost |
| $5,000 | 7.5% | $372.86 | $610,000 |
| $4,200 | 12.4% | $521.15 | $852,600 |
| $3,500 | 10.8% | $378.67 | $619,500 |
| $3,300 | 11.3% | $373.17 | $610,500 |
| $2,700 | 12.1% | $326.77 | $534,600 |
| $2,000 | 9.0% | $179.71 | $294,000 |
| $1,400 | 18.6% | $260.15 | $425,600 |
| $850 | 18.3% | $155.87 | $255,000 |
| Average Credit | | $2,568 | $4,201,800 |

| | TOWN CREDIT ON HOMES ASSESSED AT: | | | | |
|---|---|---|---|---|---|
| Avg. Inc. | $200,000 | $250,000 | $300,000 | $420,000 | $600,000 |
| $14,000 | $3,954 | $4,943 | $5,500 | $5,500 | $5,500 |
| $21,900 | $3,480 | $4,349 | $5,000 | $5,000 | $5,000 |
| $28,700 | $2,900 | $3,625 | $4,200 | $4,200 | $4,200 |
| $34,800 | $2,425 | $3,031 | $3,638 | $4,000 | $4,000 |
| $42,250 | $1,898 | $2,372 | $2,847 | $3,200 | $3,200 |
| $50,550 | $1,476 | $1,845 | $2,214 | $2,500 | $2,500 |
| $64,800 | $896 | $1,120 | $1,344 | $1,882 | $1,900 |
| $82,550 | $527 | $659 | $791 | $1,107 | $1,200 |

| | PAYMENT AFTER LOCAL AND STATE CREDITS | | | | |
|---|---|---|---|---|---|
| Avg. Inc. | $200,000 | $250,000 | $300,000 | $420,000 | $600,000 |
| $14,000 | $291 | $621 | $1,381 | $4,544 | $9,289 |
| $21,900 | $1,014 | $1,463 | $2,130 | $5,293 | $10,038 |
| $28,700 | $1,830 | $2,424 | $3,166 | $6,329 | $11,074 |
| $34,800 | $2,544 | $3,256 | $3,967 | $6,768 | $11,513 |
| $42,250 | $3,307 | $4,151 | $4,994 | $7,804 | $12,549 |
| $50,550 | $3,796 | $4,745 | $5,694 | $8,571 | $13,316 |
| $64,800 | $4,376 | $5,470 | $6,564 | $9,189 | $13,916 |
| $82,550 | $4,745 | $5,931 | $7,117 | $9,964 | $14,616 |

| | PAYMENT/AVG. INCOME AT HOMES ASSESSED AT: | | | | |
|---|---|---|---|---|---|
| Avg. Inc. | $200,000 | $250,000 | $300,000 | $420,000 | $600,000 |
| $14,000 | 2.1% | 4.4% | 9.9% | 32.5% | 66.4% |
| $21,900 | 4.6% | 6.7% | 9.7% | 24.2% | 45.8% |
| $28,700 | 6.4% | 8.4% | 11.0% | 22.1% | 38.6% |
| $34,800 | 7.3% | 9.4% | 11.4% | 19.4% | 33.1% |
| $42,250 | 7.8% | 9.8% | 11.8% | 18.5% | 29.7% |
| $50,550 | 7.5% | 9.4% | 11.3% | 17.0% | 26.3% |
| $64,800 | 6.8% | 8.4% | 10.1% | 14.2% | 21.5% |
| $82,550 | 5.7% | 7.2% | 8.6% | 12.1% | 17.7% |

| "ALTERNATIVE A" PROPOSAL | | | | | |
|---|---|---|---|---|---|
| Income Brackets | | | Limits | | Homes |
| Low | High | Average | % of Tax | Dollars | 1336 |
| $0 | $18,100 | $14,000 | 75% | $7,500 | 122 |
| $18,100 | $25,700 | $21,900 | 70% | $7,000 | 203 |
| $25,700 | $31,700 | $28,700 | 65% | $6,000 | 177 |
| $31,700 | $37,900 | $34,800 | 55% | $5,000 | 185 |
| $37,900 | $46,600 | $42,250 | 45% | $4,000 | 198 |
| $46,600 | $54,500 | $50,550 | 30% | $3,000 | 147 |
| $54,500 | $75,100 | $64,800 | 15% | $1,500 | 304 |
| $75,100 | $90,000 | $82,550 | 0% | $0 | 0 |
| Mkt.Value | $285,714 | $357,143 | $428,571 | $600,000 | $857,143 |
| Assessmnt | $200,000 | $250,000 | $300,000 | $420,000 | $600,000 |
| Taxes Due | $5,272 | $6,590 | $7,908 | $11,071 | $15,816 |

| AVERAGE CREDIT AND PROGRAM COST | | | |
|---|---|---|---|
| Average Credit | Weight | Weighted Average | Program Cost |
| $5,500 | 9.1% | $502.25 | $671,000 |
| $5,200 | 15.2% | $790.12 | $1,055,600 |
| $4,700 | 13.2% | $622.68 | $831,900 |
| $4,000 | 13.8% | $553.89 | $740,000 |
| $3,250 | 14.8% | $481.66 | $643,500 |
| $2,250 | 11.0% | $247.57 | $330,750 |
| $1,250 | 22.8% | $284.43 | $380,000 |
| $0 | 0% | $0.00 | $0 |
| Average Credit | | $3,483 | $4,652,750 |

| | TOWN CREDIT ON HOMES ASSESSED AT: | | | | |
|---|---|---|---|---|---|
| Avg. Inc. | $200,000 | $250,000 | $300,000 | $420,000 | $600,000 |
| $14,000 | $3,954 | $4,943 | $5,931 | $7,500 | $7,500 |
| $21,900 | $3,690 | $4,613 | $5,536 | $7,000 | $7,000 |
| $28,700 | $3,427 | $4,284 | $5,140 | $6,000 | $6,000 |
| $34,800 | $2,900 | $3,625 | $4,349 | $5,000 | $5,000 |
| $42,250 | $2,372 | $2,966 | $3,559 | $4,000 | $4,000 |
| $50,550 | $1,582 | $1,977 | $2,372 | $3,000 | $3,000 |
| $64,800 | $791 | $989 | $1,186 | $1,500 | $1,500 |
| $82,550 | $0 | $0 | $0 | $0 | $0 |

| | PAYMENT AFTER LOCAL AND STATE CREDITS | | | | |
|---|---|---|---|---|---|
| Avg. Inc. | $200,000 | $250,000 | $300,000 | $420,000 | $600,000 |
| $14,000 | $291 | $621 | $950 | $2,544 | $7,289 |
| $21,900 | $804 | $1,199 | $1,594 | $3,293 | $8,038 |
| $28,700 | $1,303 | $1,765 | $2,226 | $4,529 | $9,274 |
| $34,800 | $2,069 | $2,663 | $3,256 | $5,768 | $10,513 |
| $42,250 | $2,833 | $3,558 | $4,282 | $7,004 | $11,749 |
| $50,550 | $3,690 | $4,613 | $5,536 | $8,071 | $12,816 |
| $64,800 | $4,481 | $5,602 | $6,722 | $9,571 | $14,316 |
| $82,550 | $5,272 | $6,590 | $7,908 | $11,071 | $15,816 |

| | PAYMENT/AVG. INCOME AT HOMES ASSESSED AT: | | | | |
|---|---|---|---|---|---|
| Avg. Inc. | $200,000 | $250,000 | $300,000 | $420,000 | $600,000 |
| $14,000 | 2.1% | 4.4% | 6.8% | 18.2% | 52.1% |
| $21,900 | 3.7% | 5.5% | 7.3% | 15.0% | 36.7% |
| $28,700 | 4.5% | 6.1% | 7.8% | 15.8% | 32.3% |
| $34,800 | 5.9% | 7.7% | 9.4% | 16.6% | 30.2% |
| $42,250 | 6.7% | 8.4% | 10.1% | 16.6% | 27.8% |
| $50,550 | 7.3% | 9.1% | 11.0% | 16.0% | 25.4% |
| $64,800 | 6.9% | 8.6% | 10.4% | 14.8% | 22.1% |
| $82,550 | 6.4% | 8.0% | 9.6% | 13.4% | 19.2% |