



Informational Guideline Release

Property Tax Bureau
Informational Guideline Release (IGR) No. 03-205
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OPTIONAL COST OF LIVING ADJUSTMENT
FOR
FISCAL YEAR 2004 EXEMPTIONS

(G.L. Ch. 59 §§5(17), (17C), (17C^{1/2}), (17D), (17E), (41), (41B), (41C) and (41D))

This Informational Guideline Release (IGR) informs assessors of the cost of living adjustment to be used in Fiscal Year 2004 by communities that have adopted certain local options for annually increasing the:

- Exemption amount granted to senior citizens and surviving spouses and minors under Clauses 17, 17C, 17C^{1/2} or 17D.
- Asset limits for determining if senior citizens and surviving spouses and minors qualify for exemption under Clauses 17, 17C, 17C^{1/2} or 17D.
- Income and asset limits for determining if senior citizens qualify for exemption under Clauses 41, 41B or 41C.

Topical Index Key:

Exemptions

Distribution:

Assessors

OPTIONAL COST OF LIVING ADJUSTMENT
FOR
FISCAL YEAR 2004 EXEMPTIONS

(G.L. Ch. 59 §§5(17), (17C), (17C^{1/2}), (17D), (17E), (41), (41B), (41C) and (41D))

SUMMARY:

The Commissioner of Revenue has determined the cost of living adjustment to be used in Fiscal Year 2004 by communities that have adopted certain local options. Those options allow communities to increase annually the:

- Exemption amount granted to senior citizens and surviving spouses and minors under Clauses 17, 17C, 17C^{1/2} or 17D.
- Asset limits for determining if senior citizens and surviving spouses and minors qualify for exemption under Clauses 17, 17C, 17C^{1/2} or 17D.
- Income and asset limits for determining if senior citizens qualify for exemption under Clauses 41, 41B or 41C.

The cost of living adjustment (COLA) is measured by the increase in the United States Department of Labor, Bureau of Labor Statistics Consumer Price Index for Urban Consumers (CPI-U) during the previous calendar year.

The cost of living adjustment for FY04 exemption purposes is **3.58%**.

GUIDELINES:

I. ADJUSTED EXEMPTION AMOUNT FOR CLAUSE 17s

Communities have the option of annually increasing the amount of the exemption granted to certain senior citizens and surviving spouses and minors under G.L. Ch. 59 §5, Clauses 17, 17C, 17C^{1/2} or 17D by any percentage up to the COLA determined by the Commissioner of Revenue. G.L. Ch. 59 §5 provision added by Ch. 181 of the Acts of 1995.

A. Local Adoption

1. Acceptance

The COLA is used to increase the exemption amount only in those communities that have accepted a G.L. Ch. 59 §5 provision added by Ch. 181 of the Acts of 1995. Acceptance is by a vote of town meeting, town council or city council with the mayor's approval where required.

2. Annual Percentage Increase

The percentage by which the exemption amount is increased each year must also be established by vote of town meeting, town council or city council with the mayor's approval where required. The annual increase cannot exceed the actual COLA for any year. There are several ways in which a community may establish the annual increase including, for example, the use of:

- A percentage of the prior year's COLA (*e.g.*, The annual increase will be 100% (or 75%, 50%, etc.) of the COLA).
- A capped increase (*e.g.*, The annual increase will be 2.5%, or the COLA, whichever is less).

Annual increases established in this manner apply until a new vote is taken establishing a different increase.

Alternatively, an annual vote may be taken to establish the specific percentage increase for that particular year once the Commissioner of Revenue has determined the actual COLA for the preceding year.

B. Annual Exemption Amount

The increases resulting from adoption of this provision operate cumulatively. Each year's exemption amount, after application of the voted percentage increase, becomes the base to which the next year's increase applies.

Example

A community **first** adopts the local option provision for FY03 and votes to increase the exemption annually by 100% of the COLA. In FY03, the base \$175 exemption increased by 4.3% and eligible taxpayers received an exemption of \$182.53 ($\175×1.043). The FY04 exemption amount is now calculated by applying the FY04 COLA to \$182.53. That results in a FY04 exemption amount of \$189.06 ($\182.53×1.0358).

The attached chart shows the FY04 exemption amount for communities that have increased the exemption amount by 100% of the COLA every year since this optional provision first became available in FY97.

If an additional optional exemption is granted for FY04 under Chapter 73, Section 4, of the Acts of 1986, the additional amount is based on the adjusted exemption amount. In the example above, any optional exemption granted for FY04 is based on \$189.06, rather than \$175.

C. State Reimbursements

Cities and towns will not receive additional state reimbursement for any increase in the exemption amount granted under this provision.

II. ADJUSTED ASSET LIMIT FOR CLAUSE 17s

Communities have the option of annually increasing the amount of assets certain senior citizens and surviving spouses and minors may have and qualify for an exemption under G.L. Ch. 59 §5(17), (17C), (17C½) or (17D) by the COLA determined by the Commissioner of Revenue. G.L. Ch. 59 §5(17E).

A. Local Adoption

The COLA is used to increase the asset limit only in those communities that have accepted G.L. Ch. 59 §5(17E). Acceptance is by a vote of town meeting, town council or city council with the mayor's approval where required.

B. Annual Exemption Amount

The asset limit increases resulting from adoption of this provision operate cumulatively. Each year's new limit, as increased by the COLA, becomes the base to which the next year's COLA is applied.

Example

A community that operates under Clause 17D **first** adopts the local option provision for FY03. In FY03, the base asset limit of \$40,000 was increased by 4.3% and taxpayers qualified for the exemption with assets up to \$41,720 ($\$40,000 \times 1.043$). The FY04 asset limit is now calculated by applying the FY04 COLA to \$41,720. That results in a FY04 asset limit of \$43,214 ($\$41,720 \times 1.0358$).

The attached chart shows the FY04 asset limits for Clause 17, 17C, 17C^{1/2} and 17D exemptions in communities that have applied the COLA adjustment every year since this optional provision first became available in FY02.

C. State Reimbursements

Subject to appropriation, cities and towns operating under Clauses 17 will be reimbursed at the rate of \$175 for each exemption granted. Reimbursements for cities and towns operating under Clauses 17C, 17C^{1/2} and 17D, however, are fixed at the amount they received in the last year they operated under Clause 17 and no adjustment will be made if additional exemptions are granted as a result of adopting this provision.

III. ADJUSTED INCOME AND ASSET LIMITS FOR CLAUSE 41s

Communities have the option of annually increasing the amount of the income and assets certain senior citizens may have to qualify for an exemption under G.L. Ch. 59 §5(41), (41B) and (41C) by the COLA determined by the Commissioner of Revenue. G.L. Ch. 59 §5(41D).

A. Local Adoption

The COLA is used to increase the income and asset limits only in those communities that have accepted G.L. Ch. 59 §5(41D). Acceptance is by a vote of town meeting, town council or city council with the mayor's approval where required.

B. Annual Exemption Amount

The income and asset limit increases resulting from adoption of this provision operate cumulatively. Each year's new limit, as increased by the COLA, becomes the base to which the next year's COLA is applied.

Example

A community that operates under Clause 41C **first** adopts the local option provision for FY03.

In FY03, the base income limits of \$13,000 for single taxpayers and \$15,000 for married taxpayers were increased by 4.3% and taxpayers qualified for the exemption with income of up to \$13,559 ($\$13,000 \times 1.043$) if single and \$15,645 ($\$15,000 \times 1.043$) if married. The FY04 income limits are now calculated by applying the FY04 COLA to \$13,559 and \$15,645. That results in FY04 income limits of \$14,044 ($\$13,559 \times 1.0358$) and \$16,205 ($\$15,645 \times 1.0358$).

In FY03, the base asset limits of \$28,000 for single taxpayers and \$30,000 for married taxpayers were increased by 4.3% and taxpayers qualified for the exemption with assets of up to \$29,204 ($\$28,000 \times 1.043$) if single and \$31,290 ($\$30,000 \times 1.043$) if married. The FY04 asset limits are now calculated by applying the FY04 COLA to \$29,204 and \$31,290. That results in FY04 asset limits of \$30,250 ($\$29,204 \times 1.0358$) and \$32,410 ($\$31,290 \times 1.0358$).

The attached chart shows the FY2003 income and asset limits for Clause 41, 41B and 41C exemptions in communities that have applied the COLA adjustment every year since this optional provision first became available in FY02.

If a community that uses Clause 41C votes to increase its income or asset limits under that clause, the COLA will apply to the new higher limits. See Property Tax Bureau Informational Guideline Release No. 02-209, *Clause 41C Exemption Options* (September). For example, a community votes to increase the gross receipts limits for FY04 to the new maximum limits of \$20,000 and \$30,000 for single and married taxpayers respectively. If Clause 41D is also in effect for FY04, the FY04 COLA of 3.58% would be applied to \$20,000 and \$30,000, which would result in FY04 income limits of \$20,716 if single and \$31,074 if married. Those amounts would then become the base to which the FY05 COLA would be applied.

C. **State Reimbursements**

Subject to appropriation, cities and towns operating under Clauses 41 will be reimbursed at the rate of \$500 for each exemption granted. Reimbursements for cities and towns operating under Clauses 41B and 41C, however, are capped at the number of exemptions granted the last year they used Clause 41. Therefore, communities operating under Clause 41B or 41C will be reimbursed for any additional exemptions granted as a result of adopting this provision only to the extent that the total number of exemptions granted do not exceed that cap.

COST OF LIVING ADJUSTMENTS

Clause 17, 17C, 17C^{1/2} and 17D Exemption Amount
Assumes 100% Cost of Living Adjustment Adopted Beginning in FY97

FISCAL YEAR	MAXIMUM COLA%	EXEMPTION AMOUNT	REFER TO IGR
1996		\$175.00	
1997	2.39%	\$179.18	96-205
1998	3.00%	\$184.56	97-204
1999	2.80%	\$189.73	98-205
2000	2.30%	\$194.09	99-205
2001	3.50%	\$200.88	00-206
2002	4.90%	\$210.72	01-205
2003	4.30%	\$219.78	02-205
2004	3.58%	\$227.65	03-205

COST OF LIVING ADJUSTMENTS

Clause 17, 17C, 17C^{1/2} and 17D Asset Limits
Assumes Cost of Living Adjustment Adopted Beginning in FY02
(Rounded to nearest whole dollar)

FISCAL YEAR	ANNUAL COLA %	CL. 17	CL. 17C	CL. 17C ^{1/2}	CL. 17D	REFER TO IGR
2001		\$20,000	\$40,000	\$40,000	\$40,000	
2002	4.90%	\$20,980	\$41,960	\$41,960	\$41,960	01-205
2003	4.30%	\$21,882	\$43,764	\$43,764	\$43,764	02-205
2004	3.58%	\$22,665	\$45,331	\$45,331	\$45,331	03-205

COST OF LIVING ADJUSTMENTS

Clause 41, 41B and 41C Income and Asset Limits

Assumes Cost of Living Adjustment Adopted Beginning in FY02 AND Clause 41C Base Limits Not Increased
(Rounded to nearest whole dollar)

FISCAL YEAR	ANNUAL COLA %	CL. 41	CL. 41B	CL. 41C	REFER TO IGR
2001		<p style="text-align: center;"><u>Single</u></p> <ul style="list-style-type: none"> • Income \$6,000 • Assets \$17,000 or \$40,000 (with home alternate) <p style="text-align: center;"><u>Married</u></p> <ul style="list-style-type: none"> • Income \$7,000 • Assets \$20,000 or \$45,000 (with home alternate) 	<p style="text-align: center;"><u>Single</u></p> <ul style="list-style-type: none"> • Income \$10,000 • Assets \$20,000 <p style="text-align: center;"><u>Married</u></p> <ul style="list-style-type: none"> • Income \$12,000 • Assets \$23,000 	<p style="text-align: center;"><u>Single</u></p> <ul style="list-style-type: none"> • Income \$13,000 • Assets \$28,000 • <p style="text-align: center;"><u>Married</u></p> <ul style="list-style-type: none"> • Income \$15,000 • Assets \$30,000 	
2002	4.90%	<p style="text-align: center;"><u>Single</u></p> <ul style="list-style-type: none"> • Income \$6,294 • Assets \$17,833 or \$41,960 (with home alternate) <p style="text-align: center;"><u>Married</u></p> <ul style="list-style-type: none"> • Income \$7,343 • Assets \$20,980 or \$47,205 (with home alternate) 	<p style="text-align: center;"><u>Single</u></p> <ul style="list-style-type: none"> • Income \$10,490 • Assets \$20,980 <p style="text-align: center;"><u>Married</u></p> <ul style="list-style-type: none"> • Income \$12,588 • Assets \$24,127 	<p style="text-align: center;"><u>Single</u></p> <ul style="list-style-type: none"> • Income \$13,637 • Assets \$29,372 • <p style="text-align: center;"><u>Married</u></p> <ul style="list-style-type: none"> • Income \$15,735 • Assets \$31,470 	01-205
2003	4.30%	<p style="text-align: center;"><u>Single</u></p> <ul style="list-style-type: none"> • Income \$6,565 • Assets \$18,600 or \$43,764 (with home alternate) <p style="text-align: center;"><u>Married</u></p> <ul style="list-style-type: none"> • Income \$7,659 • Assets \$21,882 or \$49,235 (with home alternate) 	<p style="text-align: center;"><u>Single</u></p> <ul style="list-style-type: none"> • Income \$10,941 • Assets \$21,882 <p style="text-align: center;"><u>Married</u></p> <ul style="list-style-type: none"> • Income \$13,129 • Assets \$25,164 	<p style="text-align: center;"><u>Single</u></p> <ul style="list-style-type: none"> • Income \$14,223 • Assets \$30,635 • <p style="text-align: center;"><u>Married</u></p> <ul style="list-style-type: none"> • Income \$16,412 • Assets \$32,823 	02-205

FISCAL YEAR	ANNUAL COLA %	CL. 41	CL. 41B	CL. 41C	REFER TO IGR
2004	3.58%	<p style="text-align: center;"><u>Single</u></p> <ul style="list-style-type: none"> • Income \$6,800 • Assets \$19,266 or \$45,331 (with home alternate) <p style="text-align: center;"><u>Married</u></p> <ul style="list-style-type: none"> • Income \$7,933 • Assets \$22,665 or \$50,998 (with home alternate) 	<p style="text-align: center;"><u>Single</u></p> <ul style="list-style-type: none"> • Income \$11,333 • Assets \$22,665 <p style="text-align: center;"><u>Married</u></p> <ul style="list-style-type: none"> • Income \$13,599 • Assets \$26,065 	<p style="text-align: center;"><u>Single</u></p> <ul style="list-style-type: none"> • Income \$14,732 • Assets \$31,732 • <p style="text-align: center;"><u>Married</u></p> <ul style="list-style-type: none"> • Income \$17,000 • Assets \$33,998 	02-305