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Assessment Administration: Law, Procedures and Valuation

Module 7 – Property Tax Exemptions

Click the TOC icon located on the bottom right of the window to **Hide** or **Display** the Table of Contents.

Note: At the top of the TOC is a search field. You can search for items listed in the table of contents and then jump to that section when reviewing content. However, you must complete each Self Assessment Quiz at the end of each lesson in order to move to the next lesson or search for topics in upcoming lessons.

Division of Local Services

Click the button to reference **Module 7** of the **DLS 101 Handbook**



What you will Learn

Lesson	Title
1	Exempt Properties <ul style="list-style-type: none">• Governments• Charities• Fraternal Organizations• Veteran Organizations• Religious Organizations
2	Exempt Persons <ul style="list-style-type: none">• Clause 17 (and local options) - Surviving Spouses, Minor Children of Deceased Parents and Seniors• Clause 18 – Persons with Financial Hardships• Clause 18A – Tax Deferrals for Persons with Financial Hardships• Clause 22, 22A-22F - Veterans with Service Connected Disabilities• Clause 37 (and local option) - Blind Persons• Clause 41 (and local options) - Seniors• Clause 42/43 - Surviving Spouses, Minor Children of Firefighters and Police Officers Killed in Line of Duty• Clause 41A – Tax Deferrals for Seniors• Additional Optional Exemptions• Multiple Owner Exemptions



Introduction

Exemptions are privileges granted by the Massachusetts Legislature.
All real estate is taxable unless exempt by law.

Property tax exemptions are found in Clauses of
Massachusetts General Laws Chapter 59, Section 5

Qualification Date: July 1

All eligibility criteria must be met as of July 1

Property owners must demonstrate that they clearly and unequivocally **meet all eligibility criteria** and must **follow all procedural requirements** for the exemption.

Note: Some property tax exemptions are found in other statutes or established by court decisions. Some property tax exemptions apply only if accepted by the city or town.



Note: Click the button and search for *Local Option Personal Exemption Statutes*

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Lesson 1: Exempt Properties

Exempt Properties

- Governments
- Charities
- Fraternal Organizations
- Veteran Organizations
- Religious Organizations

Overview of Exemptions to Property

At the end of this lesson, you will be able to identify which privately owned properties listed below are exempt from taxation.

1. Schools
2. Church parsonages and halls
3. Non-profit insurance library
4. Social club building (e.g., Yacht club)
5. Fraternal organization hall (e.g., Elks)
6. Veterans organization hall (e.g., Veterans of Foreign Wars (VFW), American Legion)



Governmental Entities

Real and personal property owned by a governmental entity and held or used for public purposes is exempt.

United States and Foreign Countries

- Property owned by the United States and its instrumentalities is exempt unless Congress permits taxation
- Property owned by other countries and their employees is usually exempt by treaty

Commonwealth and its Political Subdivisions, Authorities and Instrumentalities

- Cities, Towns, Districts, Counties
- Local and Regional Housing and Redevelopment Authorities
- Transportation, Port, Convention and other authorities

**Usually
Exempt**



Note: A business or entity that leases, uses or occupies government real property for business or other non-public purposes is taxed as if it were the owner under **Chapter 59, Section 2B** of the General Laws.



Charitable Exemptions - Overview



To qualify for a charitable exemption, an entity must meet certain tests.

The substantive and procedural tests for charitable exemptions include:

1. An ownership-occupancy test

The property must be owned by a charitable organization and occupied by it (or another charitable organization) for charitable purposes or acquired by it with intention to relocate

2. An income and profits test

The income or profits cannot be divided among stockholders, trustees, or members

3. An assets test upon dissolution

If the organization is dissolved, the assets must be turned over to another qualifying charity

4. Procedural filing requirements

Initial application and annual return must be filed



What is a Charitable Organization?

Definition of Charitable Organization (Clause 3)

Definition: Charitable organization – A corporation or trust established for literary, benevolent, charitable, scientific or temperance purposes.



To qualify as a charitable organization:

- Must be organized for charitable purposes
- Must actually operate as a public charity
 - Dominant purposes must benefit the public at large (not just a limited group of people)
 - Income and assets cannot be distributed to officers, directors or shareholders while it operates or when it dissolves, nor used for non-charitable purposes

Note: The exemption for charitable organizations is found in *Clause 3 of Chapter 59, Section 5* of the General Laws.



THE 190TH GENERAL COURT OF THE
COMMONWEALTH OF MASSACHUSETTS

Bills & Laws Budget Legislators Hearings & Events Committees State House

General Laws > Bd.L. > Title X > Chapter 59

Search the Legislature...

SECTION 5

GENERAL LAWS

Chapter Section

Part I

- Title I
- Title II
- Title III

Section 5: Property exemptions

Third. Personal property of a charitable organization, which term, as used in this clause, shall mean to literary, benevolent, charitable or scientific institution or temperance society incorporated in the commonwealth and so invested for literary, benevolent, charitable, scientific or temperance purposes if it is established by a declaration of trust executed in the commonwealth and its trustees are appointed by a court or courts in the commonwealth and if its principal literary, benevolent, charitable, scientific or temperance purposes are solely carried out within the commonwealth or its literary, benevolent, charitable, scientific or temperance purposes are principally and usually carried out within the commonwealth, and real estate owned by or held in trust for a charitable organization and occupied by it or its officers for the purposes for which it is organized or by another charitable organization or organizations or its or their officers for the purposes of such other charitable organization or organizations, and real estate purchased by a charitable organization with the purpose of removal therefrom within such removal more than two years after such purchase, provided, however, that --

if any of the income or profits of the business of the charitable organization is divided among the trustees or the members, or is used or appropriated for other than literary, benevolent, charitable, scientific or temperance purposes, the same shall not be exempted from taxation.



Definition of “Charitable Purposes”

Charitable Purposes (Clause 3)

Charitable purposes encompass a wide range of activities for the promotion and improvement of humans and that lessen the burdens of government. They are not limited to assistance to the needy. They include:

- Education and science
- Medical care and research
- Advancement of the arts, culture and science
- Providing shelter, food and services for the needy
- Beautification and conservation of the environment
- Raising funds or performing an essential function for a related charity



Out of State Charities under Clause 3

A foreign (out of state) corporation or trust can receive a charitable exemption on property owned in Massachusetts provided the out of state corporation or foreign charitable trust is registered to do business with the Massachusetts Secretary of State.

Mary C. Wheeler School, Inc.

v.

Assessors of Seekonk



**State statutes must comply with the
United States Constitution**

Supreme Judicial Court ruled denial of the exemption for Rhode Island school's athletic fields would be a violation of the Equal Protection Clause of the 14th amendment

Properties Eligible for Charitable Exemption

Examples include non-profit:

- **Private Schools**
Classrooms and dormitories
- **Hospitals**
Benefits indefinite (large enough) class of the public
- **Summer Camps**
Operated by non-profit entity like Boy Scouts of America



Tests for Charitable Exemption

Indefinite Class Test

A non-profit entity must operate as a public charity by benefiting an indefinite class of the public to qualify for a Clause 3 charitable exemption.

Indefinite class

Indefinite class of the public means a fluid group of persons drawn from a large segment of society or all walks of life.

Examples of organizations ineligible for exemption:

- **Chamber of Commerce**
Operated primarily for the benefit of business members and only incidentally for the general public
- **Non-profit Insurance Library**
Operated primarily for the insurance industry
- **Yacht Club**
Operated primarily for the benefit of the members



Note: Being a non-profit corporation, or exempt from federal or state taxes, alone does not mean the entity is a charitable organization under Clause 3. The entity must meet all tests as a charity.



Tests for Charitable Exemption

Income Test

A non-profit entity must operate as a public charity by using its income for charitable purposes in order to qualify for a Clause 3 charitable exemption.

Example scenario when the ***Income Test*** fails:

- A private school operating in Boston was denied the charitable exemption

Rationale for denying exemption:

- Compensation (e.g., salaries) must be reasonable and paid for services rendered

(Payments to 5 members of one family were perceived to be a cloak to conceal the distribution of profits)



Tests for Charitable Exemption

Occupancy Test

A non-profit corporation owning property is not automatically exempt on its real estate. A partial exemption may apply (parcel owned by charitable organization, but NOT occupied totally for charitable purposes).

Example scenarios when the ***Occupancy Test*** fails:

1. Offices in a non-profit hospital rented or made available to doctors for the private practice of medicine
2. Non-profit hospital's parking garage used by visitors to a medical office building as well as to the non-profit hospital
 - Partially exempt (proportion of garage used for hospital patients and visitors to hospital)
 - Taxable (proportion of the garage used by visitors of the medical office building)
3. Parcel used for commercial/business purposes but income used for charitable purposes
 - Conducting job printing business unrelated to corporation's charitable purposes

Housing – Group Homes

1. Housing – Group Homes



Housing occupied by a charitable organization or its officers is exempt under Clause 3

Exempt
Organization occupies home



Housing - Apartments

2. Housing – Apartments



Not Exempt

Tenants occupy units

Housing – Private Schools

3. Housing – School Faculty and Employees

Exempt if the following conditions are met:

- Housing is part of compensation
- Residency is condition of employment
- Essential to mission of the educational institution
- Housing must be part of or contiguous to the principal location of the institution

Exempt

Institution's officers occupy housing



Housing – Assisted Living Facility

4. Housing – Assisted Living Facility



Not Exempt

Residents occupy units



Tests for Charitable Exemption

Occupancy Test

- A charitable organization has **2 years** from acquisition of a property to adapt the site to its mission and relocate all or a substantial portion of its operations
- The organization is considered to be occupying the property for charitable purposes during that period

→ If the organization does not actually occupy the property for charitable purposes at the end of 2 years, it is taxable until it does occupy the property



Procedural Requirement - Application for Exemption

Application for Exemption (Form 1-B-3 – Clause 3)

- A charitable organization and trust must apply for exemption in the first fiscal year it seeks to exempt its real or personal property in the city or town
 - It must also apply in any other fiscal year it seeks to exempt a parcel of real property not previously exempted
- The application is due the same day as abatement applications for that fiscal year
- The organization must submit documents demonstrating it is organized for charitable purposes, operates as a public charity and uses the property for charitable purposes

Note: Abatement applications are due on the same day as the first actual installment of the tax bill for the fiscal year.

A charitable organization is not automatically exempt from local property taxes.



Once an exemption is established, the organization does not have to reapply (unless there is a change in ownership, occupancy, or other eligibility criteria)

Procedural Requirement - Annual Return (Form 3ABC) to Assessors

Return of Property Held for Charitable Purposes Form (Form 3ABC)

→ In order to be exempt, eligible charitable organizations must file an annual return known as Form 3ABC no later than March 1 in each city or town in which the organization owns real or personal property

- If the organization must report annually to the Public Charities Division of the Attorney General's Office, it must also attach to the 3ABC a copy of its most recent report (Form PC, including Federal Form 990)
- Must be filed by all charitable organizations and trusts owning real or personal property on January 1 that are claiming exemption of that property for fiscal year beginning on next July 1



Note: Veterans organizations (e.g., VFW) seeking exemption of real or personal property must also file this return.

Fraternal Organizations – Clauses 3 and 7

Personal property (such as office equipment, furniture, etc.) owned and used by a fraternal organization **is exempt** (under Chapter 59 Section 5, **Clause 7**)



Real Property exemption (conditional):

- The real estate of a fraternal organization may be eligible for a property tax exemption
- Organization must be formed for both **fraternal** and **charitable** purposes and satisfy **Clause 3** Tests

Fraternal Organizations – Exemption Determination

Fraternal Organizations Property Exemption

Knights of Columbus v. Assessors of Worcester (1952)

Supreme Judicial Court announced a test to determine whether a fraternal organization is eligible for the property tax exemption.

The exemption for real estate is based on a percentage of space occupied for the organization's charitable purposes.

Veterans' Organizations Exemptions - Clause 5, 5A, 5B and 5C

Veterans' Organizations

May be Exempt

Up to a certain dollar amount of value of its real and personal property

Note: Exemptions for Veterans' Organizations are found in General Laws **Chapter 59 Section 5, Clause 5** and local option Clauses 5A, 5B and 5C.



Veterans' Organizations - Exempt Amount Options

<u>Maximum Exemption Amounts</u>	
Clause 5 (Basic Exemption)	\$ 200,000
Local Options:	
• If Clause 5A accepted	\$ 400,000
• If Clause 5B accepted	\$ 700,000
• If Clause 5C accepted	\$1,500,000

Exemption Tests for Veterans' Organizations

Tests for Veterans' Organizations

- Organization must use and occupy parcel
- Organization must use its net income for charitable purposes, and
- Organization must file Form 3ABC by March 1 (or extended deadline) each year



Exemptions for Religious Organizations - Clauses 10 and 11

Religious Organizations

Exempt



- Personal property
- House of worship
 - Parking lot
 - Hall
 - Offices
 - Areas used in connection with religious worship and instruction and accompany and supplement work of religious organization

→ Parsonage housing congregation's clergy

Note: Parsonage housing does not include housing occupied by other officials or employees of the religious organization.



Other Religious Organization Property



Not Exempt

- Property for future house of worship
- Property used for other than religious worship and instruction



Note: Clause 11 exemption would apply once construction or renovation begins for new house of worship.

Other Religious Organization Property



Exempt under Clause 3 Charitable Exemption

- Schools
- Hospitals
- Social Service Facilities

Note: Organization must meet all qualifications and follow all procedural requirements for Clause 3 exemption.

No Reimbursement for Property Exemptions

There are
NO
state reimbursements for exemptions granted to
privately owned property



Summary - Property Exemptions

Entity	Conditions for Property Exemptions
Government	Government property is exempt, but its real property is taxable to a private party leasing or using it for business or a non-public purpose.
Charitable Organizations	To be a charitable organization, it is not enough to be a non-profit entity and exempt from federal and state taxes. A corporation or trust must be organized or formed for charitable purposes, operate as a public charity by benefiting the public, not just its members, and use its income, assets and real estate for charitable purposes. To be exempt, it must also file an application and an annual return.
Fraternal Organizations	Personal property of a fraternal organization is exempt, but real estate is exempt only if the organization also meets the requirements and follows the procedures for an exemption as a charitable organization.
Veterans Organizations	A fixed amount of the value of an incorporated veterans organization's real and personal property is exempt if actually used and occupied by the organization, the organization's net income is used for charitable purposes and the organization files an annual return. The amount depends on what, if any, option the city or town has accepted.
Religious Organizations	Personal property, a house of worship and a parsonage to house the clergy of a religious organization is exempt, but not property held for a new house of worship or not used for religious worship and instruction. Real estate used for other purposes, such as schools or social services, is exempt if the organization meets the requirements and follows the procedures for an exemption as a charitable organization.



Lesson 2: Personal Exemptions



Lesson 2: Personal Exemptions

TAX RELIEF AVAILABLE						
EXEMPTION PROGRAM	SPAWN, SURVIVING SPOUSE, & MINOR (CLAUSE 2B)	DISABLED VETERAN (CLAUSE 2D)	LEGALLY BLIND (CLAUSE 2A)	SENIOR CITIZEN (CLAUSE 4C)	SENIOR WORK-OFF (CLause 5A)	DEPLOYED NATIONAL GUARD & RESERVES (CLAUSE 5B)
ELIGIBLE AGE	70 (Seniors)	N/A	N/A	65	60	N/A
INCOME LIMIT	N/A	N/A	N/A	\$20,000* (single) \$30,000* (couple)	\$28,000	N/A
ASSET LIMIT	\$54,090	N/A	N/A	\$49,000 \$55,000 (couple)	N/A	N/A
AMOUNT OF TAX EXEMPTION	Up to \$473.44	Up to \$2,000	Up to \$1,000	Up to \$1,000	Up to \$500	Up to 100% of tax
CONTACT	Assessors Office	Assessors Office	Assessors Office	Assessors Office	County on Aging	Assessors Office
RESIDENCY REQUIREMENTS	Owned and residence in MA for 5 years	Owned & residence in MA for 5 years	Must occupy the property as of July 1st	Owned and occupied a residence in MA for 5 years	Owned and occupied a residence in MA for 5 years	Owned and occupied a residence in MA for 5 years

What is a Personal Exemption?

Reminder: A **Property Tax Exemption** is a release from the obligation of having to pay all or part of the taxes assessed on a parcel of real property.

Personal Exemptions are a reduction in taxes due to a particular personal circumstance and qualifications set forth in the Massachusetts General Laws.

Personal Exemptions require the following:

- The taxpayer must show that he or she meets all expressed terms of the exemption
- The taxpayer must file an application with you each year

Note: Exemptions are granted for one fiscal year only.

Types of Personal Exemptions

Types of personal exemptions include the following:

Type	Description
Clause 17 and local option 17C, 17C½, 17D	Surviving Spouse, Minor Child of a Deceased Parent and Senior
Clause 18	Person with Financial Hardship
Clauses 22, 22A, 22B, 22C, 22D, 22E, 22F	Veteran with Service Connected Disability
Clause 37 and local option Clause 37A	Blind Person
Clause 41 and local option 41B, 41C and 41C½	Senior
Clauses 42 and 43	Surviving Spouse and Minor Child of Firefighter and Police Officer Killed in Line of Duty
Clauses 18A and 41A	Tax <u>Deferral</u> for Person with Financial Hardship (18A) and Senior (41A)

Exemptions Uniformly Applied Across Municipalities

Do assessors have discretion to grant or deny personal exemptions or deferrals?

Taxpayer Action	Assessor Action
Taxpayer files a timely application (and qualifies for the personal exemption or deferral)	You <u>must</u> grant the exemption
Taxpayer requests a <u>hardship exemption</u> (Clause 18)	You have <u>discretion</u> to grant or deny the hardship exemption request
Taxpayer requests a <u>temporary hardship deferral</u> (Clause 18A)	You have <u>discretion</u> to grant or deny the temporary hardship deferral request



Application Guidelines

Qualification Date: July 1

Taxpayers must meet all qualifications for a personal exemption or deferral as of July 1



All personal exemption and deferral applications are:

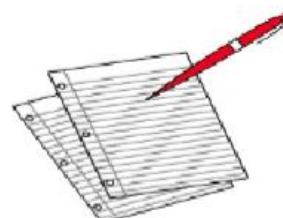
- **Due on April 1 (or 3 months after actual bills are mailed, if later)**
- **Must be filed annually**
- **Not open to public inspection**

Note: Record book listing the exemptions and deferrals that have been granted is open to the general public.

Application Guidelines

Qualification Date: July 1

Taxpayers must meet all qualifications
for a personal exemption or deferral as of July 1



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- **Due on April 1 (or 3 months after actual bills are mailed, if later)**
- **Must be filed annually**
- **Not open to public inspection**

Note: Record book listing the exemptions and deferrals that have been granted is open to the general public.



Personal Exemptions - Requirements

Requirements for Personal Exemptions and Deferrals include the following:

- 1. Ownership** - Applicant must own the property
 - For some exemptions and deferrals, applicant must also have owned the property or other property in Massachusetts for a number of years
- 2. Domicile** - Applicant must be domiciled in the property
 - For some exemptions and deferrals, applicant must also have been domiciled in the property or other property in Massachusetts for a number of years
- 3. Status** - Applicant must be a certain age, a veteran, a blind person, a surviving spouse or meet other personal circumstance
- 4. Proof** - Applicant must document eligibility



Note: Search for
Exempt Persons -
Ownership and
Domiciliary
Requirements table.



Ownership - Example 1 Life Estate

Scenario:

Mary, an elderly widow, deeds her house to her son John, but reserves the right to reside on the premises for the rest of her life. Is Mary eligible for a personal exemption?

Consequences of this action:

- Mary holds a life estate and has a present interest to possess, use and occupy the property during her lifetime
- John has a vested remainder and becomes owner when Mary's life estate ends (future interest)
- Mary, as the Life Tenant, is the assessed owner

Mary, a Life Tenant, **is an eligible owner** for Exemptions and Deferrals.

Reference: *Breare v. Assessors of Peabody*



Ownership - Example 2 Trust

Scenario:

Tom, an elderly widower, transfers his home to a trust he created that names his children as trustees and himself as beneficiary during his lifetime. On his death, his children are the beneficiaries. Is Tom eligible for a personal exemption?

Consequences of this action:

- Tom separated the legal and equitable interests in his home:
 - The trustees, Tom's children, hold legal title and are the assessed owners
 - The equitable or beneficial interest is held by Tom, the beneficiary of the trust
- Applicants whose homes are in trust are owners for exemptions if they hold:
 - Record legal title to the home (be a trustee) and
 - A sufficient **beneficial interest** in the home

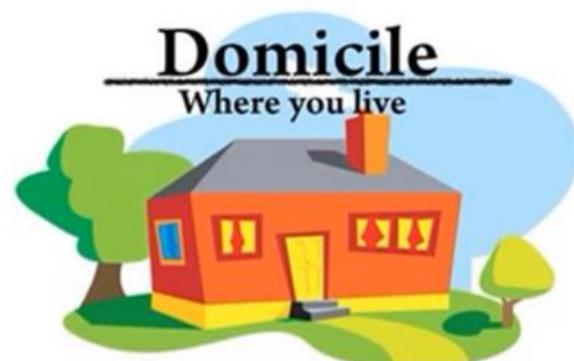


Tom is only a beneficiary and is not an eligible owner for Exemptions and Deferrals.

Reference: *Kirby v. Board of Assessors of Medford*

Domiciliary Requirements - What is Domicile?

Domicile is the status (or attribution) of being a lawful permanent resident in a particular jurisdiction.



Domicile Elements:

1. Actual physical presence
2. At a fixed dwelling place, with
3. The intention to remain permanently

Note: A person can have many residences but only one domicile at any one moment in time.



Age Requirements for Personal Exemptions

Age requirements:

1. Senior exemptions are for those **70** or older
2. Senior deferrals are for those **65** or older
3. Hardship exemptions are for those generally in their **60's**
4. Minor exemptions are for children **under 18**



Proof Requirements for Personal Exemptions



Proof - Certain statutes require *certificates*:

- Disabled veterans must file a certificate or benefit letter from the United States Department of Veterans Affairs (VA) or branch of service
- Blind persons must file a certificate from the Massachusetts Commission for the Blind
- Seniors seeking exemption or deferral must file a birth certificate

Senior Exemptions - Clauses 41, 41B, 41C and 41C½

Seniors who meet specific ownership, domicile, gross receipts (income), and whole estate (asset) requirements are eligible for personal exemptions

Clause 41 is in effect in the city or town unless a local option statute has been accepted

Local Options: Clause 41B, 41C and 41C½

Age requirement: Seniors must be age 70 or older as of July 1

Note: Seniors **70 or older** may, alternatively, qualify for an exemption under **Clauses 17, 17C, 17C½ or 17D**, which provide a reduced benefit, but have less strict eligibility requirements.



Requirements if Seeking a Clause 41 Senior Exemption

Clauses 41B, 41C, 41C½

Applicants for the senior exemption must also have:

- Owned and occupied the property, or other property in Massachusetts, as his or her domicile for any 5 years, and
- Been domiciled in Massachusetts for the 10 consecutive years immediately before the fiscal year the applicant applies for exemption



Note: There are no durational ownership or occupancy requirements for Clause 41.

Income Test for Senior Exemption and Deferral - What are Gross Receipts?

Definition: Gross Receipts – Income from all sources and is broader than taxable income for federal or state income tax.

Includes:

- Wages, salaries, bonuses, commissions
- Public and private pension distributions
- Social security
- Alimony and child support
- Lottery winnings
- Interest and dividend income
- Net income from business or property rental (after deducting business expenses and losses)
- Public assistance payments

Applicants for senior exemptions
cannot have received income
above certain limits during the
prior calendar year.

Senior Exemptions – Social Security Deduction from Gross Receipts

The **Social Security deduction**:

- Applies to applicants for Clause 41, 41B and 41C exemptions
- Is found in an annual Informational Guideline Release (IGR) issued by the Department of Revenue (DOR) for the upcoming fiscal year

Example:

For a person with marital status as of July 1, 2017 who receives Social Security, the deduction for calendar year 2016 is:

- **\$4,537** (single applicant)
- **\$6,806** (applicant and spouse)

Clause 41C – Gross Receipts Test for Senior Exemption

Clause 41C is in effect in most communities.

Gross Receipts Test (for Clause 41C)

(For Calendar year preceding July 1)

(After Social Security deduction)

Net **Gross Receipts** cannot exceed:

- \$13,000 (single applicant)
- \$15,000 (applicant and spouse)

Note: Search for
*Eligibility Factor
Options*

Asset Test for Senior Exemption - What is Whole Estate?

Definition: Whole Estate – All assets contributing to wealth and that can be used to pay bills and debts, acquire other assets, or leave to heirs.

Assets include:

- Value of real estate interests
- Value of personal property
- Checking and savings account balances
- Individual Retirement Account balances
- Value of investments in stocks, bonds and money market accounts
- Loans receivable

Applicants for senior exemptions **cannot** have whole estate above certain limits on July 1.

Clause 41C – Whole Estate Test for Senior Exemption

Whole Estate Test (for Clause 41C) (As of July 1)

- Applicant can exclude the value of his or her domicile (up to 3 units)
- However, the value of other assets **cannot exceed**:
 - \$28,000 (single applicant)
 - \$30,000 (applicant and spouse)

Note: Search for
Eligibility Factor
Options

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Note: You also exclude from the calculation of the applicant's whole estate the combined value of the following assets of the applicant, and applicant's spouse if married: **cemetery plots, registered motor vehicles, wearing apparel and household furniture and effects located in the domicile.**



Clause 41C½ Local Option – Gross Receipts Requirement

Gross Receipts Test (for Clause 41C½)

(For Calendar year preceding July 1)

- **Applicant** (and spouse, if married) **cannot exceed** the income limit as specified for that calendar year for the “Senior Circuit Breaker” State Income Tax Credit under the category, Single and not head of household.

For Example:

For Calendar Year preceding July 1, 2017 (Calendar year 2016)

Net **Gross Receipts** cannot exceed:

- \$57,000

(This is maximum income in 2016 for the Senior Circuit Tax Credit and to qualify for FY2018 exemption.)

Note: No Whole Estate limit Test for Clause 41C½.

Clause 17 - Surviving Spouse, Minor Child, or Senior

Applies to:

1. Surviving Spouse
2. Minor child with one parent deceased
3. Person 70 years of age or older



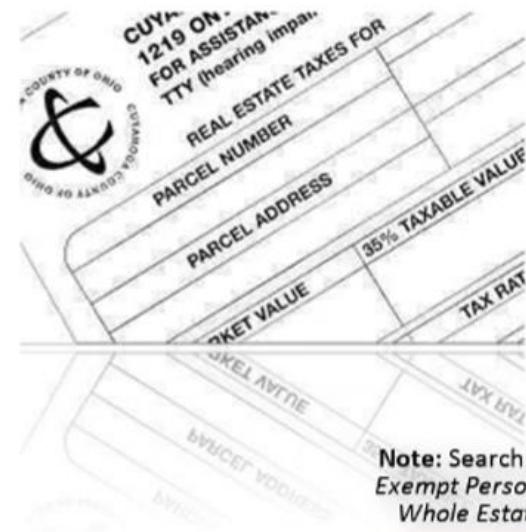
Note: Clause 17 is in effect in a city or town unless local option Clause 17C, 17C½, or 17D has been accepted.

Common Requirements for Clauses 17, 17C, 17C½, 17D

Clauses 17, 17C, 17C½, 17D

All Clauses require the applicant to:

- Own and occupy the property as his or her domicile
- Have assets (whole estate) as of July 1 **within limit**



Note: Search for
Exempt Persons -
Whole Estate



Note: All Clauses grant a \$175 exemption if criteria is met.

Requirements if Seeking a Clause 17 Senior Exemption

Clauses 17, 17C, 17C½, 17D



If applying for the exemption as a Senior, the applicant must also have:

- Owned and occupied the property as his or her domicile for **any 10 years** (Clause 17, 17C or 17C½) or **any 5 years** (Clause 17D)

Note: There is no waiting period for an applicant who is a surviving spouse or minor child with a parent deceased.

*Note: Search for Exempt
Persons - Ownership and
Domiciliary Requirements*

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Clause 17D in effect in Most Communities

Whole Estate Test (for Clause 17D)

(As of July 1)

- Applicant can exclude the value of their domicile (up to 3 units)
- The value of other assets (real property, bank accounts, stocks and bonds) minus the mortgages on real estate **cannot exceed \$40,000**

Note: You also exclude from the calculation of the applicant's whole estate the combined value of the following assets of the applicant: cemetery plots, wearing apparel and household furniture and effects located in the domicile.

Clauses 42 and 43 - Firefighters or Police Officers Killed in the Line of Duty

Firefighters or Police Officers Killed in the Line of Duty



- **Clause 42 (Spouse)** – Full exemption for surviving spouses of police officers or firefighters killed in the line of duty.
Note: Real estate must be owned and occupied by the surviving spouses as their domiciles.
- **Clause 43 (Minor Children)** – Full exemption for surviving minor children of police officers or firefighters killed in the line of duty.
Note: Real estate must be owned and occupied by the children as their domiciles.

Overview - Personal Exemptions for Veterans



Personal exemptions for veterans include the following:

1. Clause 22 - Veterans, Spouses, Surviving Spouses and Parents (\$400 exemption)
2. Clause 22D - Surviving Spouses (Full exemption)
3. Clause 22E - 100% Disabled Veterans (\$1000 exemption)
4. Clause 22F – Paraplegic Veterans and Veterans with 100% Disability for Blindness (Full exemption)

Note: Veterans must have been discharged under honorable conditions and domiciled in Massachusetts for:

- (1) the 6 consecutive months immediately before entering the service, or
- (2) the 5 consecutive years immediately before the fiscal year they apply for exemption.

Note: Search for
Exempt Persons -
Applicants Veterans

 DLS
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Personal Exemptions - Veterans Clause 22



Clause 22 Veterans, Spouses, Surviving Spouses and Parents

Exemption amount: **\$400**

The following applicants are eligible for this exemption:

- Veterans with a disability rating of 10% or more
- Purple Heart recipients
- Gold Star Parents (son or daughter killed in the line of military duty)
- Spouses (who own veterans' domiciles) and Surviving Spouses of Clause 22 Veterans



Personal Exemptions - Veterans Clause 22D

Clause 22D Surviving Spouses

Exemption amount: **Full Exemption**



The following applicants are eligible for this exemption:

- Surviving Spouses of Active Duty Military Personnel, National Guard Members or Veterans
 - Whose proximate cause of death was an injury sustained or disease contracted during active military service, or
 - Who are missing in action and presumed dead

Note: Remarriage ends this exemption.



Personal Exemptions - Veterans Clause 22E

Clause 22E 100% Disabled Veterans

**100% DISABLED
AMERICAN VETERANS**

Exemption amount: **\$1000**

The following applicants are eligible for this exemption:

- Veterans with a service-connected disability rating of 100%
- Spouses (who own veterans' domiciles) and surviving spouses of 100% disabled veterans

Note: If Clause 22E applies, even if the surviving spouse remarries, the spouse is eligible for this exemption.



Personal Exemptions - Veterans Clause 22F

Clause 22F Veterans with paraplegia or 100% disability for blindness)

Exemption amount: **Full Exemption**

The following applicants are eligible for this exemption:

- Veteran who is paraplegic because of a service-connected injury
- Veteran with a service-connected disability rating of 100% for blindness
- Veteran's spouse (who owns veteran's domicile) and a surviving spouse of paraplegic veteran or veteran with 100% blindness disability



Note: Remarriage of a surviving spouse does not end this exemption.

Personal Exemptions - Veterans



Proof of service-connected disability or cause of death is evidenced by a VA (or branch of service) certificate or benefit letter

- Applicant for a Clause 22E must file this information every year
- Applicant for other veteran exemptions must file it with the initial application only
- Surviving spouse must file it with the initial application only if the veteran was not receiving the exemption

Personal Exemptions -Blind Clauses 37 and 37A

Clause 37 and 37A (Blind)

Applicant must:

- Be legally blind
- Own and occupy the property as his or her domicile



Exemption Amounts:

Clause 37 \$437.50 (Basic Exemption)

Clause 37A \$500.00 (Local Option Exemption)

Note: A certificate from the *Massachusetts Commission for the Blind* must be filed annually with the exemption application.

Personal Exemptions - Hardship Exemption Clause 18

Clause 18 (Hardship Exemption)

Applicant Requirements

The applicant **MUST** be unable to pay all or part of taxes due to:

- Being activated for military service, or
- Being aged (elderly), infirm (disabled or ill) and poverty stricken (low income)



Note: You may grant a partial or full hardship exemption.

Clause 41A Senior Deferral - Qualifications



Applicant must:

- Be **65 years** of age or older
- **Own and occupy** the property as his or her **domicile**
- Have owned and occupied the property, or other property in Massachusetts, as his or her **domicile** for any 5 years
- Have been **domiciled** in Massachusetts for the 10 consecutive years immediately before fiscal year the taxpayer applies for the deferral
- Have **income** (gross receipts) during preceding calendar year **within limit**

Note:

- Gross receipts cannot exceed \$20,000, whether applicant is single or married
- Higher gross receipts figure can be voted by the city or town's legislative body

Clause 41A Senior Deferral Process

The deferral application process includes the following:

- A written agreement with assessors
- Prior written approval by joint owners and mortgagees
 - Note:** Applicant may defer up to 50% of the value of applicant's share of property
- Recording notice of agreement at Registry of Deeds to secure lien on property for deferred taxes
- Repayment of deferred taxes, plus interest at 8% or lower interest rate adopted by city or town's legislative body, required when property sold or taxpayer dies

A property tax deferral is not a true exemption in that it **does not** discharge the tax obligation.

Clause 41A is *not a true exemption*

It defers payment of the tax owed until a later date. A taxpayer can receive a personal exemption (for example, a Clause 22 Veterans exemption) and defer the balance of the tax owed.

Note: You do not have discretion in granting a Clause 41A deferral. You must grant it if the taxpayer qualifies. A taxpayer can appeal a denial to the Appellate Tax Board.



Clause 18A Hardship Deferral

- Person having *temporary* financial difficulties can defer all or a portion of their taxes for up to **3 consecutive fiscal years**
- Interest accrues on the amount deferred at a rate of 8%
Note: Local option allows for a reduced rate.
- Clause 18A deferral application process includes the following:
 - A written agreement with assessors
 - Prior written approval by joint owners and mortgagees
 - Recording notice of agreement at Registry of Deeds to secure lien on property for deferred taxes
 - Repayment of deferred taxes, plus interest, in up to **5 annual installments** the first of which is due **2 years** from June 30 of the last fiscal year deferred

Taxpayer Rights if Hardship Application is Denied

For Both Clauses 18 and 18A (Hardship)

If Hardship application is denied, the taxpayer:

- Can appeal to Superior Court or Supreme Judicial Court within 60 days of the decision.
- Cannot appeal denial to the Appellate Tax Board like denials of other personal exemptions



Personal Exemptions - 1 Exemption Per Person

Generally each taxpayer can receive only 1 exemption.
A taxpayer who qualifies for more gets the one exemption with the highest benefit.

Note: In addition to a personal exemption, a taxpayer may also be granted a:

- Hardship exemption (Clause 18),
- Solar or wind power exemption (Clause 45), or
- Hardship (Clause 18A) or senior (Clause 41A) deferral.

Personal Exemptions - Multiple Owner Exemptions

1. Multiple Owner Exemptions

Each co-owner of a property can receive a different exemption, allowing each to maximize the reduction to their tax burden

DeCenzo v. Assessors of Framingham

Husband - Veterans Exemption

Wife - Blind Exemption

Note: Exception to the *DeCenzo* case:
If **both** spouses are owners and veterans, then
each can receive a Clause 22 exemption.



Personal Exemptions - Multiple Owners (Not Married to Co-Owner)

2. Multiple Owners (under Clause 41, 41B, and 41C) where an owner is not married to a co-owner



In this case:

- Each co-owner who qualifies receives a proportionate amount of the \$500 exemption based on his or her percentage of ownership in the property

Example: If co-owner has **25%** interest in the property, that owner would receive an exemption equal to 25% of \$500 (or **\$125**). 

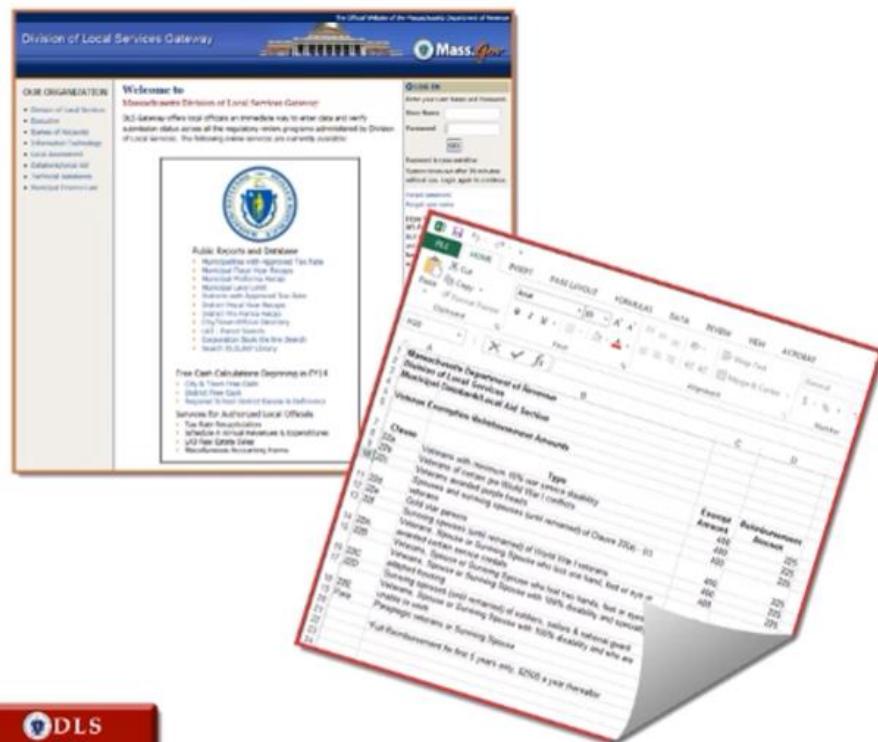
Personal Exemptions - Commonwealth Reimbursement

Note: The state reimburses communities for some revenue lost due to personal exemptions.

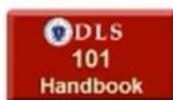
You must report the exemptions to DLS each year in order for your city or town to be reimbursed

Submit report to the municipal data back through the DLS Gateway

Submit report as soon as possible
- Last day to submit is **August 20th**



The image shows a screenshot of the Massachusetts Division of Local Services (DLS) Gateway website. The top navigation bar includes the DLS logo and the text 'The Official Website of the Massachusetts Department of Local Services'. Below the navigation, there is a 'Division of Local Services Gateway' section with a 'Mass.gov' logo. The main content area is titled 'Welcome to Massachusetts Division of Local Services Gateway'. It features a 'OUR ORGANIZATION' sidebar with links to various DLS divisions like Executive, State of Health, Information Technology, and others. The main content area displays a 'Public Records and Database' section with a circular logo of the Commonwealth of Massachusetts. Below this is a 'Free Cash Compensation Determining in CY14' table with columns for 'City & Town', 'Free Cash', 'Type', 'Exempt Amount', and 'Reimbursement Amount'. The table lists various categories of exemptions, such as 'Veterans with minimum 10% service-connected disability', 'Veterans of certain pre-World War I conflicts', 'Spouses and surviving spouses listed/referred/recommended of DRA/DRB-13', 'Gold star parents', 'Survivors spouses listed/referred/recommended of World War II Veterans', 'Veterans or Surviving Spouse who lost one hand, lost eye or one limb', 'Veterans or Surviving Spouse with 100% disability and who are blind', 'Veterans, Spouse or Surviving Spouse who lost one hand, lost eye or one limb', 'Veterans or Surviving Spouse with 100% disability and who are blind', 'Veterans or Surviving Spouse with 100% disability and who are blind', 'Veterans or Surviving Spouse with 100% disability and who are blind', and 'Post-9/11 veterans or Surviving Spouse'.



Personal Exemptions - Additional Optional Exemption

Massachusetts General Laws Chapter 59, Section 5C½

Example

Note: Additional exemption cannot lower the tax due below last year's tax due.

City or town adopts a 100% additional optional exemption
Taxpayer has been receiving a \$500 senior exemption
(may receive up to another \$500 for maximum of \$1000)

This year's tax	= \$2,300
Last year's net tax	= <u>\$1,700 (\$2,200 – \$500 Senior Clause 41C)</u>
Maximum exemption	= \$ 600 (\$500 Clause 41C + \$100 Additional)
This year's net tax	= \$1,700 (\$2,300 -\$600)

Summary - Personal Exemptions

Topics covered:

- Defined a personal exemption
- Covered key terms and definitions and reviewed the guidelines, financial tests, and application requirements
- Covered the many types of personal exemptions
- Reviewed deferral options
- Covered state reimbursement to communities for lost revenue



Note: Search for
Additional Resources

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Summary – Eligibility Requirements for Personal Exemptions

Eligibility Requirements

Ownership	An applicant must own the property on July 1. The applicant may be the only owner or own it with a spouse or other persons. A life tenant is an owner. For a property held in trust, a trustee who is also a beneficiary is an owner. Some exemptions and deferrals require the applicant to have owned the property or other property in Massachusetts for a number of years.
Domicile	The property must be the applicant's domicile on July 1. A person can have many residences, but only one domicile. It is the applicant' principal and legal home. The place where family, social, civic and economic life is centered and where the applicant plans to return whenever he or she is away. Some exemptions and deferrals require the applicant to have been domiciled in the property or other property in Massachusetts for a number of years.
Status	The applicant must meet the personal eligibility standard on July 1. Depending on the exemption or deferral, these include the age, disability, financial condition or other requirements.
Financial Condition	The applicant must meet any financial means test. Depending on the exemption or deferral, this means having gross receipts in the prior calendar year within a certain limit and a whole estate on July 1 with a certain limit. Gross receipts means the income from all sources and is broader than taxable income for federal or state income tax purposes. Whole estate means all assets to which the applicant has legal title and access as sole, joint owner or trustee that contribute to his or her total worth.
Application	The applicant must apply for the exemption or deferral each year by the application deadline. The deadline is April 1, or 3 months after the actual tax bills are mailed if later. The applicant must document that he or she meets each and every eligibility requirement .



