

ALASKA LEGISLATURE COMMITTEE FILES 1987-88 8672

4460 HCRA HB 159 (FILE 1)

32

H B

159

(FILED)

PUBLIC OPINION MESSAGE

HB 159
Terry

DEAR: REPRESENTATIVE SPRINGER

NAME: DON R. SHOEMAKER
TITLE:
ADDRESS: PO BOX 870596
CITY: WASILLA
PHONE: 376-5026
BILL NO: HB 159

ZIP: 99687

SUBJECT: MUNICIPAL PROPERTY TAX EXEMPTIONS

MESSAGE: AS A 35 YEAR RESIDENT OF ALASKA I DO NOT THINK THIS BILL WILL SAVE ANY MONEY. IT WILL CAUSE VET'S AND ELDERLY TO SELL AND LEAVE STATE AND YOU CAN BE SURE THEY WILL TAKE THERE MONEY WITH THEM. I DO THINK THERE SHOULD BE A CAP ON THE AMOUNT.

(YES)

POMID: 14142833
DATE: 03/17/87
TIME: 14:28:33
LIONAME: MAT-SU LIO

COPIES: REPRESENTATIVES REPRESENTATIVES SENATORS

ADAMS
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HALFORD
HENSLEY
JONES
JOSEPHSON
KELLY
KERTTULA
RODEY
STURGULEWSKI
SZYMANSKI
UEHLING
ZHAROFF

PUBLIC OPINION MESSAGE

(A) HB 159

Jr
Terry

MAR 17 1987

DEAR: REPRESENTATIVE SPRINGER

NAME: GARY KURPIUS
TITLE: ~~VETERANS OF FOREIGN WARS~~
ADDRESS: P.O. BOX 102320
CITY: ANCHORAGE
PHONE: 276-8213

ZIP: 99510

BILL NO: HB 159
SUBJECT: MUNICIPAL PROPERTY TAX EXEMPTIONS
MESSAGE: HOUSE BILL 159 SEEKS TO DELETE THE EXISTING REIMBURSEMENT TO MUNICIPALITIES FOR PROPERTY TAXES ASSESSED TO VETERANS WITH A SERVICE CONNECTED DISABILITY OF 50% OR MORE. AFTER CONSIDERATION OF THE DISABLED VETERANS' DECREASED EARNING ABILITY, WE HOPE YOU WILL HELP DEFEAT THIS UNJUST BILL.

POMID: 03145804
DATE: 03/16/87
TIME: 14:58:04
LIONAME: ANCHORAGE LIO

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ADAMS
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JONES
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KELLY
KERTTULA
RODEY
STURGULEWSKI
SZYMANSKI
UEHLING
ZHAROFF

PUBLIC OPINION MESSAGE

H-2 HB 159
Terry
CRA file

DEAR: REPRESENTATIVE SPRINGER

NAME: BETH TAESCHNER
TITLE:
ADDRESS: P.O. BOX 56
CITY: SOLDOTNA ZIP: 99669
PHONE: 262-4287
BILL NO: HB 159
SUBJECT: MUNICIPAL PROPERTY TAX EXEMPTIONS
MESSAGE: APPRECIATE EFFORT OF THE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE
CONFERENCE, I HOPE THAT HB-159 WILL NOT PASS

POMID: 13085331
DATE: 04/28/87
TIME: 08:53:31
LIONAME: SOLDOTNA LIO

COPIES: REPRESENTATIVES REPRESENTATIVES SENATOR

- | | | |
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| CATO | COLLINS | FISCHER |
| HERRMANN | ZAWACKI | |
| ADAMS | BOYER | |
| BROWN | DAVIS | |
| FRANK | GOLL | |
| LARSON | POURCHOT | |
| RIEGER | SWACKHAMMER | |
| WALLIS | DONLEY | |
| ELLIS | GRUENBERG | |
| HANLEY | HUDSON | |
| KOPONEN | PHILLIPS | |
| BOUCHER | GRUSSENDORF | |
| HOFFMAN | MARTIN | |
| NAVARRE | PETTYJOHN | |

PUBLIC OPINION MESSAGE

(H) HB 159
for
Teny
CRA files

DEAR: REPRESENTATIVE SPRINGER

NAME: MARJORIE JACKSON
TITLE:
ADDRESS: ROUTE 2 - BOX 30
CITY: KETCHIKAN, ALASKA
PHONE: 225-3313
BILL NO: HB 159
SUBJECT: MUNICIPAL PROPERTY TAX EXEMPTIONS
MESSAGE: THIS BILL AS WRITTEN IS UNFAIR AND SHOWS BIAS. THE LAW AS IT STANDS IS THE BETTER FOR MOST PEOPLE AND SHOWS MORE THOUGHT, LESS PANIC.

ZIP: 99901

POMID: 08135132
DATE: 04/27/87
TIME: 13:51:32
LIONAME: KETCHIKAN LIO

COPIES: REPRESENTATIVES

CATO
COLLINS
HERRMANN
ZAWACKI

PUBLIC OPINION MESSAGE

(H-5) HB 159

DEAR: REPRESENTATIVE SPRINGER

NAME: ROSE PALMQUIST

TITLE: OPAG & PIONEER LEGISLATIVE COMMITTEE

ADDRESS: POV 870294

CITY: WASILLA

ZIP: 99687

PHONE: 376-2274

BILL NO:

SUBJECT: HB 159

MESSAGE: WE AT OPAG AND ALASKA PIONEERS ARE PLEASED AT THE STATEMENTS MADE BY MEMBERS OF H C&RA COMMITTEE REGARDING HB 159. IF THERE ARE ANY PROBLEMS, PLEASE CONTACT ME FOR OPAG AND DICK BEISNER OF SEWARD FOR PIONEER'S LEGISLATIVE COMMITTEE.

JW
Terry
CRA file.

POMID: 14141239

DATE: 04/28/87

TIME: 14:12:39

LIONAME: MAT-SU LIO

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CATO
COLLINS
HERRMANN
ZAWACKI

PUBLIC OPINION MESSAGE

(H-3) HB 159
Teny
CR files

DEAR: REPRESENTATIVE SPRINGER

NAME: AGNES DEER
TITLE:
ADDRESS: 508 N. PARK STREET
CITY: ANCHORAGE ZIP: 99508
PHONE: 277-8796
BILL NO: HB 159
SUBJECT: MUNICIPAL PROPERTY TAX EXEMPTIONS
MESSAGE: I AM FOR THE PROPERTY TAX EXEMPTION.

POMID: 03154857
DATE: 04/27/87
TIME: 15:48:57
LIONAME: ANCHORAGE LIO

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ADAMS	BARNES	ABOOD
BOUCHER	BOYER	BENNETT
BROWN	CATO	BINKLEY
COLLINS	COTTEN	COGHILL
DAVIDSON	DAVIS	DUNCAN
DONLEY	ELLIS	ELIASON
FRANK	FURNACE	FAHRENKAMP
GOLL	GRUENBERG	FAIKS
GRUSSENDORF	HANLEY	FISCHER
HERRMANN	HOFFMAN	HALFORD
HUDSON	KOPONEN	HENSLEY
LARSON	MARTIN	JONES
MENARD	MILLER	JOSEPHSON
NAVARRE	PEARCE	KELLY
PETTY JOHN	PHILLIPS	KERTTULA
POURCHOT	RIEGER	RODEY
SHULTZ	SUND	STURGULEWSKI
SHWACKHAMMER	TAYLOR	SZYMANSKI
ULMER	WALLIS	UEHLING
ZAWACKI		ZHAROFF

PUBLIC OPINION MESSAGE

Teeny Ch. H. files

(H-4) HB159

DEAR: REPRESENTATIVE SPRINGER

NAME: MARILYN GEORGE

TITLE:

ADDRESS: BOX 1031

CITY: PETERSBURG

ZIP: 99833

PHONE: 772-4515

BILL NO: HB 159

SUBJECT: MUNICIPAL PROPERTY TAX EXEMPTIONS

MESSAGE: I AM AGAINST HB159. I FAVOR KEEPING \$150,000 PROPERTY TAX EXEMPTION.
I WOULD RATHER SEE EXEMPTION DECREASED TO \$75,000 BEFORE PUT ON NEED BASIS.
SENIOR PROGRAMS HELP US STAY IN ALASKA. I FAVOR AN INCOME TAX BEFORE THE SENIOR
PROGRAMS ARE PUT ON NEEDS BASIS. WHY MUST SENIORS BIGGEST CUTS?

POMID: 15162556

DATE: 04/27/87

TIME: 16:25:56

LIONAME: PETERSBURG LIO

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SUND

JONES

TAYLOR

CATO

COLLINS

HERRMANN

ZAWACKI

PUBLIC OPINION MESSAGE

Ⓛ HB 159

fpw
CRA fee

DEAR: REPRESENTATIVE SPRINGER

NAME: KEN GORTON
TITLE:
ADDRESS: 3300 W. 30TH
CITY: ANCHORAGE ZIP: 99517
PHONE: 248-2239
BILL NO: HB 159
SUBJECT: MUNICIPAL PROPERTY TAX EXEMPTIONS
MESSAGE: MY WIFE AND I SUPPORT HB 159 RELATING TO EXEMPTIONS FROM, DEFERMENT
OF, AND PAYMENTS RELATING TO, MUNICIPAL PROPERTY TAXES. WE REQUEST THAT YOU
VOTE FOR IT.

POMID: 03161920
DATE: 04/29/87
TIME: 16:19:20
LIONAME: ANCHORAGE LIO

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CATO
COLLINS
HERRMANN
ZAWACKI

PUBLIC OPINION MESSAGE

HB 159

Spr
CRA file

DEAR: REPRESENTATIVE SPRINGER

NAME: VIRGINIA COUGHLAN

TITLE:

ADDRESS: 7011 ALATNA AVE

CITY: ANCHORAGE

PHONE: 345-3689

ZIP: 99516

BILL NO:

HB 159

SUBJECT: SENIOR CITIZEN'S PROPERTY TAX

MESSAGE: WE SENIOR CITIZENS WISH TO REMAIN IN ALASKA. PLEASE DO NOT ELIMINATE MONEY FROM THE BUDGET FOR PROPERTY TAX EXEMPTION.

POMID: 03090052

DATE: 04/30/87

TIME: 09:00:52

LIONAME: ANCHORAGE LIO

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| ADAMS | BARNES |
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| GOLL | GRUENBERG |
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| HERRMANN | HOFFMAN |
| HUDSON | KCPONEN |
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| MENARD | MILLER |
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| PETTYJOHN | PHILLIPS |
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| ULMER | WALLIS |
| ZAWACKI | |

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ER DES MOINES DOVER FRANKFORT HARRISBURG HARTFORD HELENA HONOLULU INDIANAPOLIS JACK

State Tax Policy Options for the Elderly: A Guide for Aging Advocates

Community and Regional Affairs

page: 44 sponsor: C & RA Subcommittee
component: Designated Grants
add 1,147.1 to the grants line for the following:
Association for Stranded Rural Alaskans in Anchorage for the
Anchorage visitors program 148.8; RurAL CAP for the Porcupine
Caribou Treaty 60.0; Denakkanaaga for a village elders program
70.0; Bering Sea Fisherman's Association for fisheries
extension services 257.7; Association of Village Council
Presidents for a rural Alaska job referral and placement
office 87.7; Association of Village Council Presidents for the
Delta Goose Management Project 25.5; Fairbanks Native
Association for an employment services program 165.0;
Fairbanks Native Association for an economic development
program 85.0; Fairbanks Native Association for community
planning 40.0; Kawerak for an Early Childhood program 197.4;
Kawerak for the Bering Straits Elders Conference 5.0; Kawerak
for the Bering Straits Regional Strategy project 5.0.

page: 2 sponsor: Pourchot, Brown
component: Homeowner's Property Tax Exemption
add 2,866.3 *44%*

page: 4
component: Renters' Equivalency
add 221.2 *320 needed*

(Funding at FY 87 revised level)

page: 94 sponsor: Brown
component: State Revenue Sharing
add 5,554.0

page: 96
component: Municipal Assistance
add 7,639.6

page: 14 sponsor: Wallis
Component: Head Start
add 347.1 to the grants line

page 38 sponsor: Wallis
Component: Organizational Grants
add the following intent:
It is the intent of the Legislature that Department request a
supplemental appropriation should any new city and/or borough
form during fiscal year 1988.

BILL SHEFFIELD, GOVERNOR

STATE OF ALASKA
DEPT. OF COMMUNITY & REGIONAL AFFAIRS

MUNICIPAL & REGIONAL ASSISTANCE DIVISION

April 14, 1987

Becky Goodman
Senior Voice

Dear Becky:

As you requested, enclosed are the most current estimates of reimbursement requests by municipalities under the \$150,000 cap in the Senior Citizen/Disabled Veteran Property Tax Exemption Program. As you can see, increases in participation and municipal millage rates have caused a slight increase in the cost of the program in spite of the adoption of the \$150,000 cap.

To date, the figures indicate the fully-funded level of the Program will be just under \$6,470,000. After late filings are submitted, it seems clear the actual costs will be extremely close to our estimates from a year ago of \$6,488,500. We believe the closeness of our estimate to these most recent figures serves to lend additional credibility to our cost estimates under other suggested assessed value caps lower than ~~\$150,000~~. Also enclosed, for your information, are those projected estimates.

We hope this information is satisfactory for your needs. If we can be of further assistance, please contact me.

Sincerely,



Michael W. Worley
State Assessor

Enclosures

- POUCH BH
JUNEAU, ALASKA 99811
PHONE: (907) 465-4707
- 949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508
PHONE: (907) 561-8586
- P.O. BOX 348
BETHEL, ALASKA 99559
PHONE: (907) 543-3475
- P.O. BOX 41
NOME, ALASKA 99762
PHONE: (907) 443-5457
- P.O. BOX 280
KOTZEBUE, ALASKA 99752
PHONE: (907) 442-3675
- 1514 CUSHMAN STREET, ROOM 201
FAIRBANKS, ALASKA 99701
PHONE: (907) 452-7126
- P.O. BOX 10041
DILLINGHAM, ALASKA 99576
PHONE: (907) 842-2245

SENIOR CITIZEN/DISABLED VETERAN
PROPERTY TAX EXEMPTION PROGRAM

FY 88 ESTIMATES

<u>Municipalities</u> <u>(Contacted 04/13/87)</u>	<u>FY 88</u> <u>Program Costs</u>	<u>FY 87 Actual</u> <u>Program Costs</u>
Anchorage	\$3,200,000	\$3,266,668
Fairbanks	874,700	791,462
Juneau	590,000	527,693
Kenai	500,000	531,123
Ketchikan	375,200	269,647
Kodiak	110,000	73,526
Mat-Su	481,900	529,260
	<u>\$6,132,000</u>	<u>5,989,379</u>

FY 88 $\frac{6,132,000}{5,989,379}$ = 2.38% increase
FY 87

Remainder of Municipalities

FY 87 Actual: \$328,900

FY 88 Projected: \$328,900 x 102.38% = \$336,700

FY 88 Total Program Costs

\$6,132,000 + \$336,700 = \$6,468,700

*Staff has been eliminated
need add in
shift funds from one to the other?
Read in as a lump sum
combined program*

~~LEAVE BILL ON TABLE
TAKE HEAT & REFIN E~~

STATE TAX POLICY OPTIONS
FOR THE ELDERLY:

A GUIDE FOR AGING ADVOCATES

May 1985

Daniel A. Quirk, Executive Director

Diane E. Justice, Project Manager

Terry T. Nixon, Program Associate

National Association of State Units on Aging
600 Maryland Avenue, S.W.
Washington, D.C. 20024

This project was supported, in part, by award number 90AM0070/01, from the Administration on Aging, Office of Human Development Services, Department of Health and Human Services, Washington, D.C. 20201. Grantees undertaking projects under government sponsorship are encouraged to express freely their findings and conclusions. Points of view or opinions do not, therefore, necessarily represent official Administration on Aging policy.

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CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

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PREFACE

A project examining state efforts to assist the elderly through the tax structure was begun in April 1984 by the National Conference of State Legislatures (NCSL) and the National Association of State Units on Aging (NASUA) under a grant from the Administration on Aging, U.S. Department of Health and Human Services. Although it was assumed that every state did indeed provide tax benefits to the elderly, there had not been any systematic compilation of information on these tax provisions for use by state legislators, other policymakers, and older people.

This project resulted in two major, complimentary publications. The first, State Tax Policy and Senior Citizens: A Legislator's Guide, published by NCSL, is written primarily for an audience of state legislators and their staff. This guide, State Tax Policy Options for the Elderly: A Guide for Aging Advocates, is written primarily for use by older persons and other aging advocates.

In carrying out this project, NCSL administered a survey to legislative staff in all 50 states and the District of Columbia to obtain information on state tax policy provisions. The survey included questions pertaining to key provisions of tax policies, program participation, and the amount of benefits

distributed. Information on specific state tax provisions included in this guide is based upon the findings of NCSL's work. In addition, NASUA administered a survey to state units on aging to identify the composition of the aging advocacy structures in each state and to learn of their activities in relation to state tax policy. Information included in Chapter One on the demographic characteristics of older people was largely obtained from Developments in Aging, U.S. Senate Special Committee on Aging.

Many individuals contributed to this project including those who completed the surveys used to collect information for the publications and those who participated in project advisory and review committees. Mitchell Zahn and Stephen Gold, both of NCSL, were responsible for the overall administration of the project and greatly contributed to the information included in this guide on specific state tax provisions. Joy Johnson Wilson, also of NCSL, was instrumental in the initial design and development of this project. Gregory Merrill, American Association of Retired Persons, was very helpful in providing information for inclusion in Chapter Four of this guide. Finally, this guide could not have been published without the skillful production expertise of Cindy Wellons and Jacqueline Jones.

INTRODUCTION

The political, social, and economic agendas of older persons are as varied and complex as those of any other age group within the population. There are, however, unique aspects to growing old which distinguish the elderly from their younger counterparts. Retirement from the work force, be it voluntary or mandatory, invariably results in a decrease in income level. There is a definite correlation between age and health status requiring increased expenditures for the elderly. The need for social services to maintain independence greatly increases with age.

Since 1935 and the passage of the landmark Social Security Act, public policies have been developed at the federal, state, and local levels to help ensure that older persons live their later years with independence and dignity. In housing, health care, employment, transportation, and social services a vast array of programs have been established to assist older persons. Also, a network of state and area agencies on aging has been put in place to provide advocacy, planning, coordination, and services for older people throughout the country.

Central to the well-being of older persons and their ability to continue to contribute to the economic and social

life of the nation is their income level. Social Security, continued employment, private and public pensions, the Supplemental Security Income program, and food stamps are major sources of income support for the aged. These sources, however, for most older persons do not compensate for the loss of income due to retirement from the work force. For that reason, the federal and state governments have enacted tax provisions to benefit older persons and thus increase their discretionary income levels.

The types and forms of these tax provisions in federal and state law are often complex and difficult to understand. This guide is intended to provide aging advocates and older persons themselves with a brief overview and explanation of the different kinds of tax policy options in the states which do and can benefit older persons.

The guide begins with some descriptive information on the economic status of older persons. Chapter Two discusses the various tax policy options which have been adopted by individual states. Chapter Three discusses the current status of statewide advocacy on behalf of older persons as well as a brief description of the advocacy and service network of state and area agencies on aging. The concluding chapter provides some insight on how to understand and access the state legislative process as it relates to tax issues or any other issue of concern to aging advocates.

CHAPTER ONE

OLDER PEOPLE: UNIQUE CHARACTERISTICS, DIVERSE NEEDS

This chapter provides a brief overview of the economic status of the older population in the United States. It begins with some basic demographic information and provides data on those characteristics, often unique to the elderly, which impact on the aged's economic status: health, housing, living arrangements, as well as income levels and sources. Finally, information is included on major subgroups of the older population which have very unique characteristics and needs: women, minorities, and the oldest of the old.

Why begin a guide to state tax policy for the elderly with demographic and economic data? It has been said in this highly technical society in which we live that information is power. Whether one agrees with this statement or not, it has always been the case that responsive, equitable and effective public policy can only be developed when decision makers have accurate, timely, and well documented information. Deciding on whether to provide tax benefits for the older population, what kind of benefits, and for which subgroups of the older population are always complex and often controversial decisions for policymakers. Aging advocates must begin with the capability to

articulate the needs of the older population for tax relief. This chapter is intended to provide a basic economic guide for older persons and aging advocates on the economic status of the elderly.

All of the data provided here are by necessity national in scope. In addition to utilizing this comprehensive information, it is imperative for those working at the state and local levels to document specific demographic and economic data on the elderly in their respective states, counties, or cities.

GROWTH OF THE AGING POPULATION

Each year, the number of persons 65 years of age and older increases. Today, there are as many Americans 65 and over as there are teenagers. In the last two decades the 65 plus population grew twice as fast as the rest of the population:

- o In 1960, the 65 plus population numbered about 16 1/2 million persons, or 9.2 percent of the total population. In 1983, there were 27.4 million persons over the age of 65, about 11.7 percent of the total U.S. population.
- o Between 1960 and 1980, the entire U.S. population grew by 26 percent, in contrast to the 65-74 year old population which increased by 41 percent, the 75 to 84 year old population which increased by 67 percent, and the 85+ population which experienced a 142 percent increase.
- o By the year 2030, there will be about 65 million persons over the age of 65, representing 21.1 percent of the total U.S. population.
- o Of the 27.4 million older population in 1983, 16.4 million were older women. As a result there were about 149 women for every 100 men. For persons 85 and older, there were 241 women for every 100 men.

- o Older women will continue to live longer than older men. Those women who had their sixty-fifth birthday in 1980 can expect to live until age 83. Men, on the other hand who had their sixty-fifth birthday in 1980 can expect to live 14.02 more years or until age 79.
- o Over the last decade the minority elderly population grew faster than the elderly white population. For example, between 1970 and 1980 the older white population increased by about one fourth while the older black population grew by about one-third.

INCOME LEVELS

While the older population can be found on all levels of the economic ladder, they are more heavily concentrated at the lower level than any other segment of the population. Some older people had low incomes before reaching old age. Others become poor in later life, most times due to factors beyond their control, e.g., exit from the work force, poor health or death of a spouse.

- o In 1981, the median income for older men was \$8,200, compared to \$ 21,000 for men below age 50.
- o Of all persons over the age of 65 in 1981, approximately 75 percent had yearly incomes below \$10,000. Of the nonelderly, 42 percent had such incomes.
- o Minority older persons have even lower incomes. In 1981, the median income of elderly black men was \$4,900; elderly black women, \$3,500; and for elderly white men, \$8,600.
- o Persons 65 and older living alone are likely to have even lower incomes. In 1981, the median income of those living alone was \$5,134.

POVERTY RATES

The overall economic status of older people has improved

over the last 25 years and the proportion of older persons living in poor households decreased from 35 to 15 percent. In large measure the decline in poverty among the elderly can be attributed to the establishment of cost of living adjustments in Social Security payments. However, large numbers of older people still remain in poverty.

- o In 1981, one out of every seven older persons lived in poverty, compared to one in four in 1970, and one in three in 1959.
- o In addition 24 percent of the elderly have incomes below 125 percent of the poverty level.
- o Within the elderly population, women, minorities, those persons living alone, those over age 75, those not married, and residents of small towns and rural areas have the highest rates of poverty. In addition over 30 percent of those who had only Social Security income in 1981 were in poverty.
- o In 1982, the poverty rate for elderly white men was about 8.3 percent, compared to 17.5 percent for elderly white women, 31.8 percent for older black men, and 42.4 percent for elderly black women. Elderly black women were five times as likely to be in poverty than elderly white men.

HOUSING

Many argue that because almost three-fourths of all persons over the age of 65 own their own homes, they have comparable assets to nonelderly persons. Equity in a home, however is not readily changed into cash income. Equity in a home puts many older people in the category of being "house rich, but cash poor."

- o Six out of every 10 older homeowners have incomes below \$5,000.

- o Although the majority live in houses that are physically satisfactory, there are major differences among the elderly. Single older men who live alone, for example, are more likely than any other group of the older population to live in defective housing (21 percent). The percent is higher for poor hispanic males living alone, black males who live alone, and families where there is a black female head of household.
- o A 1979 Housing and Urban Development (HUD) housing survey showed that almost 50 percent of all elderly homeowners live in homes that were built before 1939. The median value of a house built in 1939 or earlier was \$35,000. The resale value for housing built in 1970 or later was \$62,200. Only 8 percent of all older homeowners live in homes built after 1969.
- o Elderly renters, in particular, are likely to spend a significant percentage of their income on housing. According to the U.S. Senate Special Committee on Aging, the median rent of an elderly woman living alone represents almost 50 percent of her income.

LIVING ARRANGEMENTS

By 1980, the number of persons 65 and older living alone had increased to approximately 30 percent of the older population, up from 14.4 percent in 1950.

- o The average size of an elderly household is 1.5 persons, compared to 3.4 persons in a nonelderly family.
- o Living arrangements of older women and men are quite different. Of the 7 million older persons who lived alone in 1982, most were women.
- o Only a third (37 percent) of older women live in husband-wife households, compared to 75% of older men.
- o The percentage of older women who live in husband-wife households decreases after age 75. Sixty-five percent of all men 75 and older live in husband-wife households. Only 1 out of every 5 women over age 75 live in similar households.

HEALTH CARE COSTS

In recent years the elderly have been forced to pay more of their fixed incomes on necessary health care. Unfortunately, the current rate of inflation in health care costs will force the older population to pay even a larger percentage of their personal incomes on health care in the future.

- o In 1983, health expenditures in all sectors-hospital services, physician services and nursing home care-increased at rates three times that of inflation in the general economy.
- o Older persons spent on the average 15 percent of their income (or \$1,550) on health care. This percentage is expected to increase to 17 percent (\$2,892) by 1993 and 19 percent (\$4,637) by the year 2000.
- o Older persons now spend the same percentage of their personal income on health care as was spent prior to the enactment of Medicare. This is due to: (1) an escalation in health care costs that over the past ten years has been 3 times greater than increases in the consumer price index, and (2) increases in cost sharing for Medicare recipients through higher premiums, deductibles and co-payments.
- o Per capita health care expenditures for nonelderly persons in 1981 were \$828. Per capita health care expenditures for elderly persons were \$3,140 (over three times that of the nonelderly).

OLDER MINORITIES

Those who are old, poor, and a member of a minority group are faced with "triple jeopardy".

- o Minority older people are set apart from the rest of the older population because of poorer health, shorter life expectancy, lower levels of education, high levels of poverty and near poverty, and the problems often encountered in obtaining necessary services.

- o Many older Americans did not become poor until they became old. Large numbers of elderly blacks and other minorities have lived in poverty all their lives.
- o In 1981, the median income level for older white men was \$8,600 and \$4,900 for older white women, in contrast to \$4,900 for older black men and \$3,500 for older black women.
- o In 1982, 38.2 percent of all older blacks and 26.6 percent of all older persons of Hispanic origin lived in poverty, compared to 12.4 percent of all older whites.
- o Upon retirement, the minority elderly receive lower benefits from Social Security than older whites. This is due in part to a lifetime of discrimination in employment opportunities.

THE OLD OLD: SPECIAL NEEDS

By 1983, the population between the age of 75 and 84 was 11 times larger and the population over the age of 85 was 20 times larger than they were in 1900. In 1983, there were over 8 1/2 million persons between ages 75 and 84, and about 2 1/2 million over age 85. By the year 2050, the 85 plus population will increase from 1 to 5 percent of the total population.

- o The old-old are likely to suffer from chronic health conditions, have some functional limitations, and are likely to be dependent to some degree on family, friends, and other support systems in their communities.
- o The old-old are likely to have significantly lower incomes than the "younger" elderly. In 1980, the median income of persons 55-61 years of age was approximately \$12,000, compared to \$3,920 for persons 73 and older.
- o The percentage of persons with incomes below the poverty level is greater for the oldest of the old. In 1982, 14 percent of all older people had incomes below the poverty level. However, the poverty rate was 17.4 percent for those between 75 and 84 and 21.2 percent for those age 85 and over.

CHAPTER TWO

STATE TAX POLICIES BENEFITING THE ELDERLY

This chapter is intended to provide older persons and other aging advocates at the state and local level with a brief and non-technical overview of the different tax policy options for the elderly available to federal, state and local governments. The goal of these various options is always the same -- to enhance the economic self-sufficiency of the older population. At the same time, the types and forms of these tax benefit provisions are varied and often complex. The following major types of tax incentives for older persons are the focus of this chapter: property tax, personal income tax, sales tax and dedicated revenues for aging programs.

All states use some form of tax policy to provide benefits to their older citizens. In deciding which tax benefit provision to support, however, it is very important for older persons and other aging advocates to keep in mind that each provision has certain advantages and disadvantages to different segments of the older population. At the same time, support for maintaining or expanding tax benefits must always be considered in the broader context of a state, county, or city's policy agenda. What makes sense in one place may not be feasible or appropriate in another. Each jurisdiction has its own unique social,

economic and political milieu which impacts on the always difficult decisions of policymakers on how to collect public resources, and how to spend them for the good of the entire population.

There are a number of key questions that older persons and aging advocates need to ask themselves before deciding to support tax benefits as a means to enhance their economic self-sufficiency.

- o Is tax relief the most effective and administratively efficient way to provide increased income to older persons?
- o Does tax relief provide an equitable mechanism to target assistance to those older persons most in economic need?
- o Is tax relief more acceptable to older persons and policymakers as a means of providing benefits in contrast to more traditional income maintenance programs?
- o Is tax relief or a direct expenditure program the most appropriate means of helping the elderly?
- o What is the impact of a tax relief provision on the overall budget and revenues of the state, county or city?
- o Should older persons be treated differently than other low-income population groups?

If the decision is made to pursue tax benefits as a means to enhance the economic self-sufficiency of older persons, there are additional questions which responsible advocates need to ask themselves:

- o Which current tax provisions have the most negative impact on the economic well being of older persons?

- o How do the various tax relief options impact on the subgroups of the older population, e.g., renters, homeowners, low-income, moderate income, private pension holders, etc?
- o Which tax relief options more effectively target benefits to those most in need of economic support?

Finally, since states currently provide a wide range of tax benefits to the elderly, the most appropriate policy course for aging advocates in most instances will be to fine tune existing provisions. In this regard, the issue of expanding assistance to those most in need may often be the central focus of an advocacy effort.

This chapter provides an overview of the major types of tax policies adopted on behalf of older people. These legislative approaches can be categorized into four major areas: property tax, personal income tax, sales tax and dedicated revenues.

PROPERTY TAX

The three major forms of federal, state and local taxation directly affecting individuals include the property tax, the personal income tax, and the sales tax. Advocates promoting state policies designed to alleviate the effect of taxation on older persons traditionally have focused on property taxes. At the same time, a variety of measures have been enacted at the federal and state levels which provide for specialized benefits to older persons through the income tax structure. However, for a number of reasons, both policymakers and older people have most intensely debated the impact of property tax.

The property tax is an important mechanism for raising revenues to support public services. It is the primary vehicle used by local governments to support important public responsibilities such as police and fire protection, education, health and social services, public transportation, maintenance of streets, etc. Raising revenues based on individual property values provides a balance to raising revenues based on income through the income tax, and based on personal expenditures through the sales tax.

Yet at the same time, property taxes are considered regressive, particularly due to their impact on lower income households. For the low and moderate income elderly, property taxes can be especially burdensome. While many older people have property assets, they are faced with significant reductions in income due to departure from the work force. Their ability to pay property taxes therefore, is reduced.

States have responded to these dilemmas by enacting a variety of programs designed to provide property tax relief to older persons, as well as to younger persons with low and moderate incomes.

The most common programs which provide property tax relief are the homestead and circuitbreaker programs. Other frequently used property tax relief measures are renters credits and deductions and tax deferral programs. Less common are property tax freeze programs. Table II-1 provides an overview of all property relief measures used by states.

TABLE II-1

Property Tax Relief Mechanisms Employed by States: 1985

States	Homestead Exemption or Credit		Circuitbreaker	Renter Credit	Deferral
	All Ages	Seniors Only			
New England					
Connecticut			S		
Maine			S		
Massachusetts	X	X		A	S
New Hampshire		X			S
Rhode Island			S		
Vermont			A		
Mid Atlantic					
Delaware		X			
District of Columbia	X		A		A
Maryland			A		
New Jersey (a)	X	X		A (a)	
New York		X	A		
Pennsylvania			S		
Great Lakes					
Illinois	X	X	S		S
Indiana	X	X		A	
Michigan			A		S
Ohio	X	X	S		
Wisconsin (b)	X		A	A	
Plains					
Iowa	X		S		A
Kansas			A		
Minnesota	X		A		
Missouri			S		
Nebraska (c)	X	X	S		
North Dakota			S		
South Dakota			S		
Southeast					
Alabama	X	X			
Arkansas			S		
Florida	X	X			A
Georgia	X	X			S
Kentucky		X			
Louisiana	X				

Mississippi	X	X			
North Carolina		X			
South Carolina		X			
Tennessee		X			S
Virginia		X			S
West Virginia		X	S		
<hr/>					
Southwest					
Arizona	X		S	A	
New Mexico	X		S		
Oklahoma	X		S		
Texas	X	X			S
<hr/>					
Rocky Mountain					
Colorado		X	S		S
Idaho	X		S		
Montana		X	S		
Utah		X	S		S
Wyoming	X	X			
<hr/>					
Far West					
Alaska (d)	X	X		S	S (d)
California	X		S	A	S
Hawaii	X	X		A	
Nevada			S		
Oregon	X		A	A	S
Washington		X			S

Source: NCSL Survey

Notes:

- X = Denotes homestead exemption or credit program.
- S = Program is for senior citizens only.
- A = Program includes persons of all ages.

- a. New Jersey: Senior citizens receive a greater renter credit benefit than do persons under age 65.
- b. Wisconsin: The Wisconsin circuitbreaker is known as the "Homestead Exemption" program. The property tax/renter credit, which reimburses taxpayers 10 percent of property taxes paid (or the property tax equivalent for renters) is the state's homestead and renter credit program. In addition, Wisconsin passed legislation in 1981 authorizing a property tax deferral program for senior citizens, but never implemented it because revenue bond financing was not feasible.
- c. Nebraska: All homeowners in Nebraska receive a homestead exemption. In addition, senior citizens receive an additional exemption that varies according to income, much like a circuitbreaker.
- d. Alaska: Senior citizens may defer special assessments. They are from exempt all property taxes.

It is appropriate at this time to provide definitions for those tax relief programs discussed throughout this section. In addition, brief information will be provided on the characteristics and benefits of each. Homestead exemptions and circuitbreakers are the most utilized and provide the greatest relief to older people. Therefore, they will be discussed first.

HOMESTEAD EXEMPTIONS AND CREDITS

A homestead exemption is a property tax relief program which provides financial relief to residential property taxpayers. Homestead exemptions, in their usual form, function by exempting a certain amount of the assessed value of one's property from taxation, and are granted before the property tax bill is computed. Homestead exemptions offer the same amount of financial relief to all homeowners who are eligible, regardless of their income level. Although a homeowner's income may be used to determine eligibility income is not used to compute the amount of relief received. Unlike circuitbreakers, which may include benefits to renters, homestead exemptions are for homeowner's only.

It is important to note that since states assess property in different ways, the amount of property tax relief provided will vary. Whereas one community may assess property at its full market value, another may assess it at a portion of its market value. Therefore, in comparing exemption amounts across states, it is important to know how property is assessed. If property

is assessed at some fraction of its market value, the effect of an exemption will be greater in comparison to that same exemption applied to assessments at full market value.

A homestead credit is the amount subtracted from the total property tax bill. In most states, the credit is for tax on a certain portion of the assessed property value.

As of December 1984, 37 states and the District of Columbia had homestead programs. As is shown on Table II-2, 13 states limit participation in the program to the elderly (in many of these, disabled persons are eligible). In 24 states and the District of Columbia participation is not limited by age; however 13 of these states provide greater benefits to older persons. Table II-3 describing homestead exemption and credit programs also notes how the programs are financed. If the program is state funded, localities are reimbursed by the state for the costs of providing the exemptions. If the program is financed locally, communities will be likely to increase tax rates to compensate for the costs of the exemptions.

CIRCUITBREAKERS

The circuitbreaker is another form of property tax relief. It contrasts with a homestead exemption or credit in that the amount of relief depends on both income and the property tax bill. It receives its name from its electrical namesake, which shuts off electric flow when the system is overloaded. When property taxes exceed a specified percentage of income, the

TABLE II--2

Homestead Exemption and Credit Programs: 1985

<u>State</u>	<u>Description</u>	<u>Financing</u>
No age restrictions (11 states and the District of Columbia)		
Arizona	Credit for 56 percent of school property taxes.	State
California	Credit for tax on \$7,000 of assessed valuation.	State
District of Columbia	\$9,000 exemption.	Local
Idaho	Exemption of \$50,000 or half of assessed valuation, whichever is lower.	Local
Iowa	Credit for tax on \$4,850 of assessed valuation.	State
Louisiana	Credit for tax on \$7,500 of assessed valuation (equivalent to \$75,000).	Mostly State
Minnesota	54 percent credit for tax on first \$67,000 of market value up to \$650 maximum.	State
New Mexico	\$200 exemption (equivalent to \$600).	Local
Ohio	Credit for 2-1/2 percent of tax.	State
Oklahoma	\$1,000 exemption (equivalent to \$8,333); additional exemption if income under \$8,500.	Mostly Local
Oregon	Credit for 30 percent of tax (maximum \$170 in 1984, higher in previous years).	State
Wisconsin	Credit for 10 percent of tax.	State
Senior citizens receive a larger exemption or credit than others (13 states).		
Alabama(a)	All households: exemptions of varying amounts by different categories of local government.	Local
	Seniors: complete exemption from state tax and additional exemption if income under \$12,000	Local
Alaska	All households: varying amounts, at option of municipality.	Local
	Seniors: complete exemption.	State

Florida	All households: \$25,000 exemption.	Local
	Seniors: additional \$10,000 exemption from taxes levied by counties, cities, and special districts.	Local
Georgia	All households: \$2,000 exemption (equivalent to \$5,000).	Local
	Seniors: \$4,000 exemption (equivalent to \$10,000) for general property taxes and \$10,000 exemption (equivalent to \$25,000) for school taxes if income under \$8,000.	Local
Hawaii	All households: \$20,000 exemption.	Local
	Seniors: \$40,000 exemption if age 60 to 70; \$50,000 if age 70 or older.	Local
Illinois	All households: exemption up to \$3,500 (equivalent to \$21,000 in Cook County and \$10,500 in other counties) for increase in assessed valuation since 1977.	Local
	Seniors: additional \$2,000 exemption (equivalent to \$12,000 in Cook County and \$6,000 in other counties).	Local
Indiana	All households: credit for 4 percent of property tax liability (effective in 1986).	State
	Seniors: \$1,000 exemption (equivalent to \$3,000) if income under \$10,000 and assessed valuation under \$11,000.	Local
Massachusetts	All households: local option exemption up to 10 percent of average assessed value in locality.	Local
	Seniors: local option exemption varying according to household circumstances.	Local
Mississippi	All household: varying exemption amounts based on value of property.	State
	Seniors: additional \$7,500 exemption (equivalent to \$50,000) effective in 1986.	State
Nebraska	All households: \$3,000 exemption.	State
	Seniors: additional \$7,000 - \$35,000 exemption if income is less than \$10,400 (formula similar to a circuitbreaker).	State

New Jersey(a)	All households: credit depending on assessed valuation and tax rate.	State
	Seniors: additional \$50 credit. In addition, another \$250 credit is given to elderly households with incomes under \$10,000.	State
Texas(a)	All households: local option exemption up to 30 percent of market value.	Local
	Seniors: \$10,000 exemption for school taxes and local option additional.	Local
Wyoming	All households: credit depending on assessed valuation and tax rate.	State
	Seniors: additional refund for low-income senior citizens that varies. Payment also represents a portion of sales tax paid and a rebate of home utility costs.	State
Only for senior citizens (13 states).		
Colorado(a)	Total exemption for seniors with incomes within 150 percent of limits prescribed for occupants of nearby low-rent public housing.	Local
Delaware	\$5,000 exemption if income under \$3,000.	Local
Kentucky(a)	Exemption of \$7,500 in 1972 dollars, amount increased annually for inflation (1984 exemption was \$15,000).	Local
Montana(a)	Varying amount based on income (but different than the state's circuitbreaker program).	Local
New Hampshire	\$5,000 exemption if income under \$5,000 and assets under \$35,000; additional local option exemptions.	Local
New York	Local option to exempt up to 50 percent of assessed value if low-income senior citizen.	Local
North Carolina(a)	\$8,500 exemption if income under \$9,000.	Mostly Local
South Carolina(a)	\$20,000 exemption.	State
Tennessee(a)	\$12,000 exemption if income under \$8,500	State

Utah(a)	Local option to abate up to the lesser of 50 percent of taxes assessed or \$300 for senior citizens with incomes under \$7,500 if single or \$8,000 if married.	Local
Virginia(a)	Local option to totally exempt property of senior citizens with incomes up to \$18,000	Local
Washington(a)	Exemption from all special levies if income under \$15,000; \$20,000 exemption or 30 percent of value of residence up to \$40,000, whichever is greater, from regular levies if income under \$12,000; \$25,000 exemption or 50 percent of value of residence, whichever is greater, if income is below \$9,000.	Local
West Virginia	\$20,000 exemption.	Local

Source: NCSL Survey; and ACIR, Significant Features of Fiscal Federalism 1983-1984 Edition.

Notes:

This table does not include programs restricted to special groups, such as widows and veterans. Most states have programs for veterans.

In states where assessments are set by law at less than full market value, the amount of market value exempted is shown in parentheses. Property often is assessed at less than the level prescribed by law, however, and the actual value of exemptions may be understated.

a. Disabled persons are given the same benefits as senior citizens.

circuitbreaker overrides the property tax levy, and rebates the excessive payment to the taxpayer. Benefits are structured, generally, so that as income rises, the amount of benefit falls.

In addition, circuitbreakers can be structured to provide renters with benefits, with the rationale that part of a rent payment is attributed to the landlord's property tax obligation. Renters generally have lower incomes than homeowners. This approach can help target benefits to low income persons.

As of December 1984, 30 states and the District of Columbia have in place some type of circuitbreaker program that provides relief to residential property taxpayers. Renters are eligible for relief in 25 of these programs. Most circuitbreaker programs are limited to senior citizens. Of the 31 programs, however, nine are open to the general population. While the programs in the District of Columbia, Michigan and Minnesota are applicable to persons of all ages, they provide greater relief to older people than to the general population. Additionally, 17 states and the District of Columbia have both a homestead program and a circuitbreaker program.

By design, circuitbreaker programs can target property tax relief based on some measure of need for assistance. Factors which must be considered include the extent to which benefits will be restricted to low and moderate income persons through setting an upper income limit on participation; the maximum amount of benefit available; and the relationship between benefit levels, incomes and amount of property tax due.

There are two general ways to design circuitbreaker programs. Some states have structured their programs so that a percentage of an individual's property tax payment is rebated, with the percentage decreasing as income rises. Other states define a percentage of income which will be devoted to property tax; amounts over that percentage qualify for relief.

Circuitbreaker programs are an important mechanism which states can use to target relief to older persons with below average incomes. Table II-3 summarizes key elements of each state's program.

RENTER CREDITS AND DEDUCTIONS

A renter credit or deduction is one means that several states have pursued in order to eliminate the gap in the tax system which favors homeowners (through the deduction of interest on home mortgages and other tax breaks, and through property tax relief programs). States generally credit renters with a percentage of rent paid. Although some programs impose a maximum income eligibility criterion to participate, renter credit programs differ from circuitbreaker programs (which can include renters) in that the amount of the credit is not a function of the taxpayer's income. Usually persons of all ages and income levels are eligible for assistance. At the end of 1983, there were nine states which offered renter credit programs. States which offer the program are: Alaska, Arizona, California, Hawaii, Indiana, Massachusetts, New Jersey, Oregon,

TABLE II-3

Summary Statistics of State Circuitbreaker Programs: 1983 and 1985

State	Property Tax Rent Equivalent	Income Ceiling(a)	Maximum Benefit/Taxes/or Assessed Value	Average Benefit	Cost per Capita(b)
All ages, homeowners and renters					
District of Columbia(c)	15%	\$20,000	\$ 750 ben	\$275 (d)	\$16.50 (d)
Kansas(c,e)	15	12,800	400 ben	144	3.41
Michigan	17	80,000	1,200 ben	396	42.03
Minnesota(f)	Varies	40,000	1,125 ben	305	45.17
New York	25	16,000	250 (g) ben	74	1.33
Oregon(h)	17	17,500	750 (h)/375 (r) ben	205	32.35
Vermont	20	25,000	500 ben	248	10.66
Wisconsin	25	16,500	1,200 taxes	318	17.44
All ages, homeowners; only elderly renters					
Maryland(c)	15%	None	\$1,200 (h)/450 (r) ben	\$351	\$ 8.77
Only elderly, homeowner's and renters					
Arizona	Varies	\$ 5,500	\$ 413 ben	\$325 (d)	\$ 5.24 (d)
California(c)	i	12,000	32,640 AV	125	1.28
Colorado(c)	20%	11,200	500 ben	271	4.79
Connecticut	20	14,800	700 ben	313	4.16
Illinois(c,h)	30	12,000	700 ben	250	6.99
Iowa(c)	25	12,000	1,000 taxes	181	3.27
Maine(c)	25	7,400	400 ben	274	5.02
Missouri	20	11,500	500 taxes	138	1.21
Montana	15	None	400 ben	119	2.30
Nevada	17	14,000	500 ben	168	2.03
New Mexico	6	16,000	250 ben	74	1.48
North Dakota(c)	20	10,000	2,000 (h)/190 (r) ben	197	3.47
Pennsylvania(c,h)	20	12,000	500 ben	215	8.16
Rhode Island	20	12,500	200 ben	159	.33
Utah	j	10,000	300 ben	106	.68
West Virginia	12	5,000	125 taxes	16	.01
Elderly homeowners only					

Arkansas	\$12,000	\$ 250 ben	\$ 81	\$1.13
Idaho(c)	12,300	400 ben	181(d)	3.24(d)
Nebraska	10,400	35,000 AV	463	16.08
Ohio(c)	15,000	5,000 AV	153	5.01
Oklahoma(c)	8,500	200 ben	90	.06
South Dakota(c,k)	7,375	55% taxes	113	1.08

Source: NCSL Survey; and ACIR, Significant Features of Fiscal Federalism, 1983-84 Edition.

Notes:

The property tax rent equivalent and income ceiling amounts are 1985 data. Average benefit and cost per capita are 1983-84 data.

ben = Maximum benefit.

taxes = Formula uses a maximum tax amount to set the ceiling benefit.

AV = Formula uses a maximum assessed value to set the ceiling benefit.

h = Maximum benefit for homeowners.

r = Maximum benefit for renters.

- a. When there are separate maximum income levels for single persons and married couples, the amount stated in this table is for married couples.
- b. Per capita cost was determined by dividing total benefits distributed by the total state population.
- c. Disabled persons receive the same benefits as senior citizens.
- d. 1984 data.
- e. Kansas: Persons under age 55 must have a dependent under age 18 to be eligible for circuitbreaker benefits.
- f. Minnesota: Amount shown represents net cost of circuitbreaker program. The amount of the circuitbreaker benefit is reduced by the amount of the homestead credit benefit. Data are for 1981.
- g. New York: The maximum benefit for senior citizens is \$250; the maximum benefit for all others is \$45.
- h. 1982 data.
- i. California: Property tax equivalent is \$250, regardless of amount of rent paid.
- j. Utah: For elderly renters, from 5 to 95 percent of rent paid is reimbursed, with a decreasing portion of rent paid reimbursed as income increases.
- k. South Dakota: Cost figures also include states's sales tax refund to the elderly.

and Wisconsin. Most of the renter credit programs offer credits/deductions to the general population. In Alaska, however, relief is only available to older people. Oregon's program has two parts: one for the general population and one for low income older people who pay a large percent of their income for rent. Finally, although the programs in Hawaii and New Jersey offer credits to the general population, they offer greater benefits to older people.

Table II-4 summarizes the key provisions of each of the renter credit programs.

PROPERTY TAX DEFERRAL PROGRAMS

Tax deferral programs permit older people to delay paying some or all of their property taxes for a certain length of time. The postponed taxes must be paid, however, either at the death of the property owner or when the property is sold. Generally, below market interest rates are charged on the amount of the debt.

Property tax deferral programs can ~~to~~ provide significant relief to older persons at a fairly low cost since the state is eventually reimbursed for the deferred taxes. Property tax deferral programs can be particularly beneficial to elderly homeowners with limited incomes available to pay rising property taxes. Despite this advantage, participation of older people in these programs is limited. The decision to place a lien on one's home is often difficult and frightening to older persons.

TABLE II-4

Summary Statistics of State Renter
Credit and Deduction Programs: 1985

<u>State</u>	<u>Minimum Age</u>	<u>Program Description</u>	<u>Number of Households Participating</u>	<u>Average Benefit</u>
Alaska	65	Amount representing property tax payments rebated	720	\$290
Arizona	None	5% of rent paid, up to \$100	257,000	119
California	None	Income tax credit of \$137 to married couples; \$60 to individuals	4.6 million	98
Hawaii	None(a)	\$50 tax credit per exemption on income tax	45,000	100
Indiana	None	\$1,500 income tax deduction	400,000	45
Massachusetts	None	Income tax deduction for one-half of rent, up to \$2,500	n.a.	n.a.
New Jersey	None(a)	\$65 tax credit; persons 65 and older receive additional \$35.	680,124	68
Oregon	None	Credit of 4.7 percent of rent, up to \$96 maximum	325,000	81
Wisconsin	None	Credit of 2.5 percent of rent paid if heat is not included; 2 percent if heat is included	1.3 million(b)	96

Source: NCSL survey

Notes:

n.a. = not available

Program description for 1985. Number of participants and average benefit are 1983 data.

- a. Persons 65 and older receive additional benefits, as explained in the program description.
- b. Includes homeowners who receive a homestead credit through the same program.

Table II-5 summarizes key elements of such programs in operation across the country. Seventeen states have property tax deferral programs for homeowners. With the exception of Washington, D.C., Florida, and Iowa, all of the programs are limited to older people.

PROPERTY TAX FREEZE

Property tax freeze programs exist in only three states, Connecticut, South Dakota and Texas. Unlike some other tax relief measures, freeze programs are only applicable to elderly homeowners.

Many elderly people live on fixed incomes. When their property taxes increase on a yearly basis, this takes away from their ability to buy other needed household goods. One of the unique benefits of property tax freeze programs is that once taxes are frozen, older homeowners know exactly how much they will have to pay for property taxes on a yearly basis.

However, unlike some other forms of property tax relief, it is difficult to target benefits to those most in need. In several states, these programs have been recently phased out.

PERSONAL INCOME TAX

The personal income tax is a major source of revenue for the federal government and most state governments. Like the federal tax system, most state income tax systems are progressive. In a progressive tax system, tax rates rise as income rises.

TABLE II-5

Major features of property tax deferral programs: 1984(a)

<u>State</u>	<u>Minimum Age</u>	<u>Maximum Income</u>	<u>Amount of Tax Deferrable</u>	<u>Interest Rate</u>
Alaska (b)	65	None	All special assessments	0%
California	62	\$34,000/\$24,000	All	Yield of state investments over comparable time
Colorado	65	None	All	8%
District of Columbia	No	\$20,000	Taxes in excess of 110 percent of previous year's tax bill	Average U.S. T-bill rate in previous year
Florida	No	None	Portion of tax that exceeds 5 percent of applicant's household income. Local program.	Average yield on Florida state pension fund
Georgia (d)	62	\$15,000	Taxes levied on first \$50,000 of homestead's assessed value	Locally determined
Illinois	65	\$10,000	Up to 80 percent of taxpayer's equity interest in property	6%
Iowa (e)	No	None	All	6%
Massachusetts	65	\$20,000	Up to 50 percent of assessed value. Local program.	8%
Michigan	65	\$10,000	Summer property taxes may be deferred until February 15 of the following year without penalty	0%
New Hampshire	65	None	Up to 85 percent of assessed value. Local program.	5%
Oregon (f)	62	\$17,500	All	6%

Tennessee	65	\$12,000	Taxes on first \$60,000 of appraised value, or on first \$50,000 of appraised value in excess of 1979 value. Local option.	10%
Texas	65	None	All	6% plus one-time 8% penalty
Utah	65	\$7,500 (single) \$8,000 (married)	All	6%
Virginia	65	\$18,000-\$22,000	All. Local option.	Locally determined
Washington	61	\$15,000	Up to 80 percent of owner's equity	8%

Source: NCSL survey

Notes:

- a. Kentucky and Maryland have property tax deferral programs that are not included in this table because these programs are based on land-zoning changes. This table highlights only those programs designed to help people for whom property taxes represent a substantial burden. Generally, these programs are limited to senior citizens. In addition to the programs listed, Wisconsin passed legislation in 1981 authorizing a deferral option for senior citizens but never implemented a program because the state was unable to receive revenue bond funds to finance one.
- b. Alaska: Senior citizens do not pay any property taxes in Alaska. They are responsible for special assessments but may defer them.
- c. California: Persons with incomes up to \$24,000 may defer property taxes, if first participating in 1984. Persons who deferred property taxes prior to 1984 still may defer taxes if their incomes do not exceed \$34,000.
- d. Georgia: The deferral amount is arranged locally with a lending institution. The lending institution determines the rate of interest on the deferred amount.
- e. Iowa: This is a local program. Counties are mandated to allow all recipients of Supplemental Security Income to defer property taxes. At their option, counties also may allow the aged or infirm to defer taxes.
- f. Oregon: Prior to 1984, there was no maximum income limitation for deferral participation. Persons deferring property taxes prior to 1984 have been "grandfathered in" under the new provision and are not required to have incomes under \$17,500 to be eligible.

Policymakers have used the income tax system to promote a variety of objectives, in addition to raising needed revenue. For example, homeownership has been encouraged in this country in part through incentives provided in the tax code (i.e., deductions for mortgage interest and property tax payments). In addition, the personal income tax system has been used to encourage certain types of individual investment activities through specialized treatment of capital gains and other investment incentives. The personal income tax system has also been used to enhance the economic status of older people.

Forty states and the District of Columbia have a broad based personal income tax system. Seven states (Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming) do not impose a personal income tax. Three states (Connecticut, New Hampshire and Tennessee) tax only limited categories of income--interest, dividends, and/or capital gains. Therefore, income tax provisions in these latter states can not be compared to those in states which impose a broad-based income tax.

The income tax systems in those states with a broad-based tax usually have provisions which are very similar to the federal provisions. In fact, many states automatically incorporate federal tax changes into their state tax code. Therefore, in addition to highlighting state legislation benefiting older people, this section will also identify parallel federal provisions.

Major income tax provisions specifically affecting the elderly, which will be discussed in detail, include the treatment of public and private pensions; treatment of social security benefits; provision of extra exemptions and credits; elderly income credit; child and dependent care credits; and tax credits for energy expenditures.

Table II-6 provides an overview of the benefits available in each state.

PUBLIC AND PRIVATE PENSIONS

Taxation of pension income in the federal system depends upon whether payments to the pension fund were made totally by employers or whether they were financed in part by contributions from workers. In those cases where payments were made totally by employers, as is the case in most private pensions, the pension income is completely taxable. In those cases where individuals contributed to the cost of their pension plan, taxation depends upon the amount of their contribution and the time period in which the workers contribution has been paid back in benefits. Once a beneficiary has received payments which equal their contributions, the pension income is fully taxable.

The rationale for making a distinction between income from a contributory pension plan versus a noncontributory plan is fairly simple. When an individual makes a payment to a pension plan, he is using funds which are part of taxable income.

TABLE II-6

State Personal Income Tax Preferences For Senior Citizens: 1985

State	Pension Income Exclusions		Full Exemption of Social Security Benefits	Additional Personal Exemption or Credit	Family Care Incentives	Elderly Income Credit
	Public	Private				
New England						
Maine			X	X	CDD	X
Massachusetts	X		X	X	CDD	
Rhode Island(b)				X	CDD	X
Vermont(b)				X	CDD	X
Mid Atlantic						
Delaware	X	X	X	X		
Maryland	X	X	X	X	CDD	
New Jersey	X	X	X	X		
New York(f)	X	X	X	X	CDD	
Pennsylvania	X	X	X			
Great Lakes						
Illinois	X		X	X		
Indiana	X		X	X		X
Michigan(f)	X	X	X	X		
Ohio			X	X(c)		X
Wisconsin	X		X	X(d)	CDD	
Plains						
Iowa	X			X(d)	XCDD	
Kansas	X			X	CDD	
Minnesota	X	X	X	X(d)	CDD	
Missouri	X					
Nebraska(b)				X	CDD	X
North Dakota(e)	X			X		
Southeast						
Alabama	X		X			
Arkansas	X	X	X	X(d)	CDD	
Georgia	X	X	X	X	CDD	
Kentucky	X		X	X(d)	CDD	
Louisiana	X	X	X	X	CDD	X
Mississippi	X	X	X	X		
North Carolina	X		X	X	XCDD	
South Carolina	X	X	X	X	CDD	
Virginia	X		X	X	CDD	X
West Virginia	X		X			

Southwest

Arizona	X		X	X	XCDD
New Mexico	X	X	X	X	CDD
Oklahoma	X				CDD

Rocky Mountain

Colorado (f)	X	X		X	CDD
Idaho	X		X	X	XCDD
Montana	X	X		X	CDD
Utah	X	X			

Far West

California	X		X		CDD	X
Hawaii	X	X	X	X	CDD	
Oregon	X		X	X (d)	XCDD	X
District of Columbia			X	X	CDD	

Source: NCSL Survey

Notes:

X = Denotes tax provisions for senior citizens.

CDD = The provisions are modeled after the federal Child and Disabled Dependent Care Credit, with either a credit or deduction allowed for "employment-related" expenses. When an "XCDD" appears, there are tax provisions for both child and disabled dependent care and for the care of an elderly parent (or other senior citizen).

- a. There is no personal income tax in Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming. Connecticut, New Hampshire, and Tennessee tax only limited types of income. Although Alaska does not have a personal income tax, persons who receive the federal Child and Disabled Dependent Care Credit may apply for a state benefit, equal to 16 percent of the federal credit.
- b. Rhode Island, Vermont, Nebraska: These states calculate personal income taxes as a proportion of the federal tax liability. Therefore, provisions in the federal tax code are implicitly recognized by these states.
- c. Ohio: The general population receives a personal exemption, but senior citizens receive an additional personal credit.
- d. Wisconsin, Iowa, Minnesota, Arkansas, Kentucky, Oregon: These states provide personal tax credits rather than personal exemptions.
- e. North Dakota: Taxpayers may opt to compute their tax payments as a proportion of federal tax liability or according to the state tax code.
- f. New York, Michigan, Colorado: These states provide credits for home heating costs.

Therefore, taxing benefits which are derived from those contributions would result in a double taxation.

At the state level this same rationale can be applied to differential treatment of public and private pensions. In contrast to private pensions, about half of all pension plans are contributory. In addition, about one fourth of state and local governmental employees are not covered by social security so there is some justification in those cases for excluding part of pension income since social security benefits are largely exempt from taxation.

In thirty-six of the states with a broad based income tax, some portion of public pension benefits are excluded from taxation. Table II-7 provides a state-by-state summary of the amount of public pensions which are exempt from taxation.

Eighteen states exempt a portion of other pension income from taxation such as private pensions. Table II-8 notes the amount exempted in each of those states.

Recently policymakers have taken an increased interest in examining the scope of tax free compensation which is provided as fringe benefits to employees. Contributions made by employers on behalf of current workers for pension plans, health insurance, and other benefits are not included in the worker's taxable income. With employers continuing to expand their fringe benefit packages as a percentage of total compensation, additional tax revenue is lost to federal and state governments.

Exclusions of Public Employee Pensions From
State Income Taxation: 1984

TABLE II-7

State	State Pensions	Federal Pensions
Alabama	All (a)	All (f)
Arizona	All (a)	\$ 2,500
Arkansas	All (a)	6,000
California	0	0
Colorado	\$20,000 (a)	20,000
Delaware	2,000 (a)	2,000
Georgia	2,000	2,000
Hawaii	All (a)	All
Idaho	(d)	(d)
Illinois	All	All
Indiana	0	2,000 (c)
Iowa	All	8,184 (c)
Kansas	All (a)	All (f)
Kentucky	All (a)	4,000 (c)
Louisiana	6,000 (a)	6,000
Maine	0	0
Maryland	(d)	(d)
Massachusetts	All	All
Michigan	10,000 (d)	10,000 (e)
Minnesota	11,000 (e)	11,000 (e)
Mississippi	All	5,000
Missouri	All (a)	0
Montana	All (a)	3,600
Nebraska	0	0
New Jersey	10,000 (b)	10,000 (b)
New Mexico	3,000 (a, b)	3,000 (b)
New York	20,000 (a)	20,000
North Carolina	All (a)	3,000
North Dakota	0	5,000 (c)
Ohio	0	0
Oklahoma	All (a)	4,000 (f)
Oregon	All	3,400 (c)
Pennsylvania	All (a)	All
Rhode Island	0	0
South Carolina	All	1,200
Utah	6,000	6,000
Vermont	0	0
Virginia	All	(d, c)
West Virginia	All (a)	16,000 (e, f)
Wisconsin	All (a)	1,680 (c)

Source: NCSL survey; and Your Retirement State Tax Guide
(American Association of Retired Persons: 1983 Edition).

Notes:

- a. Teacher's retirement benefits are excluded to the same extent as state retirement benefits.
- b. More liberal treatment of benefits may apply in some cases.
- c. These exclusions may be restricted or limited in some cases.
- d. The maximum exclusion amount is set at the maximum Social Security benefits payable minus the amount of benefits received.
- e. Amount of exclusion listed is for married couples filing jointly.
- f. Military retirees are treated differently. The amount of the exclusion in Alabama is \$10,000; in California, \$1,000; in Kansas, \$2,000; in Oklahoma, \$1,500; in West Virginia, all military retirement benefits.

TABLE II-8

Exclusions of Private Pensions from Income Taxation: 1984

Total (18 states)	Amount of Pension Income Excluded
Up to \$5,000	
Delaware	\$2,000
Georgia	2,000 (must be at least 62)
Mississippi	5,000
Montana	360
South Carolina	1,200 (must be at least 65)
\$5,000 to \$10,000	
Arkansas	6,000 in 1986 (lower amounts in earlier years)
Louisiana	6,000 (must be at least 65)
Michigan	10,000 if married and filing jointly(a)
New Jersey	10,000 if married and filing jointly(b) (must be at least 65)
New Mexico	6,000(c) (must be at least 65)
Utah	6,000 if 65; \$4,800 if younger; joint filers may each exclude \$6,000 if 65 or \$4,800 if younger
West Virginia	8,000 (must be at least 65)
Over \$10,000	
Colorado	20,000
Hawaii	All
Minnesota	11,000 minus federal adjusted gross income above \$17,000(d)
New York	20,000 (must be at least 59 1/2)
Pennsylvania	All
Variable: tied to maximum Social Security benefit.	
Maryland	Maximum Social Security benefit minus actual benefits received (must be at least 65)

Source: NCSL survey

Notes:

These provisions relate to private pension and annuity income. When a minimum age is given for eligibility, disabled persons are generally eligible for the income exclusions.

- a. Exclusion is \$7,500 on a single return.
- b. Exclusion is \$7,500 for single filers and \$5,000 if married filing separately. Up to \$3,000 of other income may be excluded if the limit for pension income is not reached.
- c. This exclusion applies to all income.
- d. An alternative limit is \$11,000 reduced by the sum of Social Security and Railroad Retirement benefits and the excess over \$23,000 of federal adjusted gross income; whichever limit is higher is used. (In calculating the second limit, Social Security and Railroad Retirement benefits are not counted if included in federal adjusted gross income.)

On the other hand, this growing concern regarding lost revenue is balanced by those who advocate using tax incentives to achieve certain policy goals, like encouraging private savings for retirement. For example, the recent establishment of Individual Retirement Accounts and other similar vehicles provide a tax-advantaged savings program for younger workers.

SOCIAL SECURITY BENEFITS

Until 1984, all Social Security benefits were exempt from taxation. As part of the Social Security financing package enacted in 1983, persons with higher incomes will be subject to federal taxation on some of their benefits. Specifically, persons for whom the sum of their modified adjusted gross income plus one-half of their Social Security benefits is greater than \$25,000 for single persons (or \$32,000 for married persons filing jointly) are subject to the tax on benefits. The tax is imposed on the lesser of either one-half of benefits or one-half the amount which raises income above the income threshold levels.

As of April 1985, 29 states and the District of Columbia have specifically exempted all Social Security benefits from taxation. Table II-6 provides a listing of those states.

Taxation of a portion of Social Security benefits has been a controversial issue in many states. As mentioned earlier, many state income tax codes automatically incorporate changes in federal tax provisions. In these cases, a decision to deviate from the federal policy required specific state legislation.

There are distinct justifications for both sides of this question. On the one hand, some have argued that the purpose of taxing a portion of Social Security benefits was to strengthen the solvency of the Social Security trust fund. Since this rationale is not applicable at the state level, it has been argued that the state exemption should continue. On the other hand, since the federal provisions apply only to those with higher incomes, it has been argued that a significant amount of state revenue would be lost from those who are more financially secure.

EXTRA EXEMPTIONS OR CREDITS

Under the federal tax code, all taxpayers and dependents receive a \$1,000 personal exemption. Persons aged 65 and over receive an additional \$1,000 personal exemption. An exemption is an amount which is subtracted from income prior to determining one's tax obligation.

Of the forty-one tax jurisdictions with a broad based income tax, twenty-seven allow some additional exemption for older persons. In five of the forty-one tax jurisdictions, an additional credit is provided to the elderly. A credit is a subtraction from the amount of tax to be paid. Table II-9 notes the amount of the exemption or credit provided to older people in each state as well as the resulting maximum benefit. To determine the benefit resulting from an exemption, each state's maximum marginal tax rate must be considered. The marginal tax

TABLE II-9

Values of Additional Personal Income Tax Exemptions and
Credits for Senior Citizens: 1985

State	Amount of General Population Personal Exemption or Credit	Amount of Additional Personal Exemption or Credit for Senior Citizens	State's Maximum Marginal Tax Rate	Maximum Benefit from Additional Personal Exemp- tion or Credit for Sr. Citizen
Alabama	\$1,500	\$ 0	5%	\$ 0
Arizona	1,834	1,834	8	147
Arkansas	18 credit	18 credit	7	18
California	40 credit	0	11	0
Colorado	1,200	1,200	3	96
Connecticut (a)				
Delaware	800	800	10.7	86
Georgia	1,500	700	6	42
Hawaii	1,000	1,000	11	110
Idaho	1,000	1,000	7.5	75
Illinois	1,000	1,000	2.5	25
Indiana	1,000	1,000	3	30
Iowa	20 credit	20 credit	13	20
Kansas	1,000	1,000	9	90
Kentucky	20 credit	40 credit	6	40
Louisiana (b)	4,500	1,000	6	60
Maine	1,000	1,000	10	100
Maryland	800	800	5	40
Massachusetts (c)	2,200	700	5.375	38
Michigan	1,500	1,500	5.35	80
Minnesota	70 credit	70 credit	16	70
Mississippi	6,000	1,500	5	75
Missouri	1,200	0	6	0
Montana	1,000	1,000	11	110
Nebraska (d)	1,000	1,000	see notes	95
New Hampshire (e)				
New Jersey	1,000	1,000	3.5	35
New Mexico	1,000	1,000	7.8	78
New York	800	800	14	112
North Carolina	1,100	1,100	7	77
North Dakota (f)	1,000	1,000	9	90
Ohio (g)	650	50 credit	9.5	50
Oklahoma	1,000	0	6	0
Oregon (h)	85 credit	85 credit	10.8	85
Pennsylvania	0	0	2.35	0
Rhode Island (i)	1,000	1,000	see notes	125

South Carolina	807	807	7	56
Tennessee(j)				
Utah	1,000	1,000	7.75	78
Vermont(k)	1,000	1,000	see notes	133
Virginia	600	1,000	5.75	58
West Virginia	800	800	13	104
Wisconsin	20 credit	5 credit	10	5
District of Columbia	750	750	11	83

Source: NCSL survey; and Commerce Clearing House, Inc., State Tax Guide, Second Edition.

This table reflects marginal tax rates as of January 1985. Numerous states reduce tax rates during the year, but this is not reflected in the table.

- a. Connecticut: Only capital gains, interest, and dividends are taxed in Connecticut. A general population exemption of \$100 is allowed, and senior citizens, aged 65 or older, receive an additional \$100 exemption.
- b. Louisiana: The standard deduction is included in the amount of the personal exemption.
- c. Massachusetts: The exemption is allowed on Part B of the state income tax, the tax on earned income and annuities.
- d. Nebraska: The state imposes a tax of 19 percent of the adjusted federal income tax liability. The exemptions are implicitly recognized by the state tax code.
- e. New Hampshire: The state imposes a tax only on interest and dividends. A general population exemption of \$1,200 is allowed, and senior citizens, aged 65 or older, receive an additional \$1,200 exemption.
- f. North Dakota: Taxpayers may opt to compute their tax obligations as 10.5 percent of federal income tax liability or according to the state tax code. A \$1,000 personal exemption is implicitly recognized if the first option is taken and is explicitly provided if the second option is chosen.
- g. Ohio: Senior citizens do not receive an additional exemption but do receive a tax credit of \$50.

- h. Oregon: In 1983 and 1984, an \$85 personal credit was provided. It is anticipated that the credit will be retained.
- i. Rhode Island: The state imposes a tax of 24.9 percent of federal income tax liability. The exemptions are implicitly recognized by the state tax code.
- j. Tennessee: The tax is imposed on dividends from stocks and interest from bonds and certain other obligations. No return is required unless taxable income exceeds \$25. No tax is due from single persons, aged 65 or older, whose total annual income is \$6,000 or less, or from persons filing jointly, if one spouse is 65 or older, and their total income is not over \$10,000.
- k. Vermont: The state imposes a tax of 26.5 percent of federal income tax liability. The exemptions are implicitly recognized by the state tax code.

rate is the income tax rate which is applied to the highest increment of one's income. In a progressive tax system each increment of income is taxed at a higher rate. The value of an exemption, therefore, varies depending on the marginal tax rate applied to an individual's income.

The benefit of an exemption is greater for higher income persons because they are subject to higher marginal tax rates. A credit on the other hand is not affected by an individual's income. Since a credit is subtracted from the tax due, all persons receive the same benefit. Therefore, a tax relief program can be more effective in distributing total benefits to lower income persons if credits rather than exemptions are used.

ELDERLY INCOME CREDIT

This term refers to a specific provision in the federal income tax code which has also been adopted by several states. Under the federal tax code, persons aged 65 and older receive a nonrefundable credit equivalent to fifteen percent of the first \$5000 of income for single persons or \$7,500 for couples. These amounts are reduced by the amount of Social Security, railroad retirement, or other tax exempt pension income received by the beneficiary and by one-half of the taxpayer's adjusted gross income over \$7500 for individuals and \$10,000 for married couples filing a joint return. Table II-10 summarizes the parallel provisions which have been adopted by ten states.

TABLE II-10

Summary Of State Elderly Income Credits: 1985

California:

Same as federal tax credit.

Indiana:

Persons aged 65 or older are eligible for a tax credit, based on federal adjusted gross income and marital status. The credit, ranging from \$25 to \$90, decreases as income increases. No credit is given to persons with adjusted gross incomes exceeding \$10,000.

Louisiana:

10 percent of federal credit.

Maine:

20 percent of federal credit.

Nebraska:

50 percent of federal credit.

Ohio:

Provides a credit to persons receiving retirement income during the tax year. The credit, ranging from \$25 to \$200, rises as income rises.

Oregon:

15 percent of federal credit.

Rhode Island:

24.9 percent of federal credit.(a)

Vermont:

26.5 percent of federal credit.(a)

Virginia:

Provides a sliding-scale credit dependent upon age of taxpayer (62, 63, 64, or 65 and over), Social Security benefits received, and federal adjusted gross income.

Source: NCSL survey.

Note:

- (a) Rhode Island, Vermont: Income tax obligations in these states are calculated as a percentage of the federal income tax liability. The credits therefore are included implicitly in these states' tax codes.

CHILD AND DEPENDENT CARE TAX CREDIT

This provision is designed to assist working adults who are caring for a dependent. Due to the federal limitations placed on eligibility, this credit has much greater applicability to families caring for children rather than those caring for the elderly.

In the federal tax code, families are allowed to credit against their tax liability from 20 percent to 30 percent of their annual dependent care expenses, up to \$2400 for one qualifying dependent or \$4800 for two or more dependents. The maximum allowable credit is \$720 for one dependent and \$1440 for two dependents. The percentage allowed varies from 30 percent for households with incomes below \$10,000 to 20 percent for families with incomes of \$28,000 or above. A sliding scale is applied to incomes between those levels.

Several eligibility criteria must be met in order to qualify for the credit:

- o The person receiving the care must meet several standards of dependency;
- o The care recipient must be in the taxpayer's house at least eight hours a day; and
- o The caregivers must be working or seeking work.

Twenty-seven states and the District of Columbia have adopted child and dependent care provisions, generally modeled after the federal legislation. Five of the twenty-seven states, however, have also enacted tax provisions specifically for the care of an elderly person:

- o In Arizona, taxpayers may claim an \$1,183 exemption if they spend a minimum of \$800 for in-home care or other medical expenses of any person 65 or older, regardless of the elder's relationship to the taxpayer.
- o In Idaho, adult children can either claim a \$1,000 deduction or receive a \$100 tax credit for the care of a parent aged 65 or older. The statute does not address whether parents must meet any physical or mental criteria, but parents must receive more than half their support from taxpayers claiming the credit.
- o Iowa allows taxpayers to deduct up to \$5,000 per year if they provide in-home care for a parent, grandparent, child or grandchild. The member of the family who receives care must be eligible to receive medical assistance benefits because of a physical or mental disability.
- o In 1983, legislation was passed in North Carolina to allow taxpayers to deduct up to \$3,000 of expenses related to the maintenance and care of a parent, aged 65 or older and whose disposable income is less than \$9,000. No maximums are placed on the taxpayer's income.
- o Oregon's program provides a tax credit of up to \$250 per year to family members providing in-home care to elderly parents, aged 65 and over. In order to qualify for the tax credit, the elderly parent's income can not exceed \$7,500 per year, and the family providing the care can not have income in excess of \$17,000 per year. Expenses considered in determining the credit are limited to those for "in-home" services. Rent and room and board are not allowable expenses. This tax credit, however, has been claimed by few persons. In 1983, only 12 taxpayers claimed the credit, down from 40 taxpayers in 1980.

TAX CREDITS FOR ENERGY EXPENDITURES

Tax credits are available in three states (Colorado, Michigan and New York) to assist taxpayers with household heating costs. The tax credits in Colorado and New York target assistance to low-income older persons. In Michigan, the credit is designed to assist all middle and lower income persons, with

additional assistance provided to older persons. There are no comparable provisions in the federal tax code. The following summarizes the three state programs:

- o Colorado: Persons aged 65 or older and disabled persons with incomes below \$7,500 if single or \$11,200 if married are eligible for a refundable tax credit. For single persons, the credit is equal to \$160, less 6.4 percent of income over \$5,000. For married couples, the credit is equal to \$160 less 6.4 percent of income over \$8,700. For renters, 10 percent of rent paid is presumed to be the amount paid for heat and fuel expenses.
- o Michigan: All middle and lower income taxpayers in Michigan are eligible for a tax credit for heating costs. The amount of the credit is based on both the number of exemptions claimed on the income tax return and household income. Since senior citizens receive an additional exemption they receive additional relief from this credit. The credit is refundable for both homeowners and renters. The tax credit will be provided through the 1986 tax year.
- o New York: A \$35 "emergency energy assistance credit" is provided to senior citizens whose household gross incomes are less than \$14,000. The credit is refundable.

These tax credits exemplify ways that the income tax code can be used to target assistance to lower income persons to offset specific expenses.

SALES TAX POLICY

The retail sales tax is the tax levied on the price of goods and services. The retail sales tax is a major source of revenue in the District of Columbia and in 90 percent of the states. As a matter of fact, in 1984, the state sales tax in at least 23 states raised more in revenue than any other tax.

Sales taxes are often criticized on the grounds that they are regressive and burdensome because the low-income elderly spend a larger percent of their income on the consumption of needed goods and services than do those who are better off financially. In order to lessen this effect , many states do not levy a sales tax on certain needed items.

As of January 1984, 45 states and the District of Columbia imposed a state sales tax. Of these, 29 do not tax food, 44 do not tax prescription drugs, 31 do not tax consumer electric and gas utilities, and five do not tax clothing. In addition , some states exempt certain organizations which provide services to the elderly, resulting in an indirect benefit to older persons. The elderly also benefit from the general exemption of those items listed above.

While policies providing tax relief to persons based on age are rare, five states have enacted specialized sales tax policies designed to benefit older people. The following is a summary of the sales tax refund programs in the above mentioned five states.

- o Idaho: Persons 62 years of age and older and specified groups are eligible for a credit ranging from \$15 to \$60. This refundable credit is administered through either the personal income tax system or a separate application.
- o Kansas: Relief is in the form of a \$20 refund. The program is limited to taxpayers aged 55 and older and disabled persons. Household incomes must be less than \$10,000 to be eligible.

- o South Carolina: Persons aged 85 and older are exempt from one percent of the five percent state sales tax.
- o South Dakota: Disabled persons and persons over age 65 whose income are less than \$4,625 (single) or \$7,375 (multi-member household) are eligible for a refund for a portion of sales and services taxes paid. The benefit, which decreases as income rises, ranges from \$46 to \$110 for single households and \$74 to \$220 for multi-member households.
- o Wyoming: Persons aged 65 and older and disabled are eligible for a refund of a portion of sales and use taxes paid. Single persons with incomes below \$8,000 can receive a benefit of \$630, reduced by the percentage that income exceeds \$4,500. Married persons, where at least one spouse is aged 65 or older or totally disabled, and whose incomes are below \$11,000 are refunded \$723, reduced by the percentage that income exceeds \$6,750.

Finally, both New Mexico and Vermont have enacted sales tax rebates which do not base eligibility on age. However, the amount of rebate is related to the number of exemptions claimed on personal income tax. Since older persons receive an additional exemption in these states they also receive a higher rebate.

DEDICATED REVENUES FOR AGING PROGRAMS

A dedicated revenue is a funding source, such as a fee or tax, which is allocated to a particular program or service. There are a number of states which have dedicated revenues designed to support the states' aging programs. These programs are briefly described below.

- o Alabama: Through a checkoff on the income tax return, taxpayers can opt to reduce their refund and finance a number of services and programs that benefit the state's older population.

- o California: In California, a checkoff on the income tax return can be designated to support California's Silver Haired Legislature.
- o Colorado: The Old Age Pension Fund is supported by revenues earmarked from a variety of tax sources.
- o North Carolina: Revenues from the excise tax on cigarettes and alcoholic beverages are used to pay local governments 15 percent of their revenue loss from the homestead exemption program.
- o Kansas, Montana, Nevada, North Dakota: Each of these states allow municipalities to raise property taxes, up to one mill to support local aging programs.

New Jersey and Pennsylvania have the largest dedicated revenue programs. The funds from each are used to support aging programs. The two programs are individually discussed below.

- o New Jersey: The Casino Revenue Fund supports a number of New Jersey aging programs; e.g., the senior citizen property tax relief program, transportation, and health services. The Casino Revenue Fund is made up of the money raised through the 8 percent tax on total revenues from the casino industry in Atlantic City. In 1985, the fund is projected to raise \$160 million.
- o Pennsylvania: The Pennsylvania lottery, which started in 1972, is the largest dedicated revenue program whose profits are used to support a variety of aging programs. In addition to supporting the state's property tax and rent rebates to senior citizens, revenues from the program also support transit programs for older persons, social services, and part of the state's share of Medicaid costs.

The use of dedicated revenues in New Jersey and Pennsylvania to support programs for older persons has been controversial. On the one hand earmarking revenues from casino gambling (New Jersey) and the state lottery (Pennsylvania) greatly enhanced voter acceptance of these initiatives. These revenues are

clearly benefiting older people. On the other hand, since these revenues are growing rapidly there is some concern about specifying these funds for a specific use when other parts of the state budget are constrained.

In addition, a dedicated revenue may not always provide new or expanded services. In some cases, the dedicated revenue will only supplement traditional funding sources for the support of existing programs. For example, the lottery in Pennsylvania has been responsible for new services to senior citizens, but due to its success has also begun appropriating funds for long-term care services, which were traditionally financed by the general fund. In this case, the dedicated revenue is used to help fund services which were previously supported by other funding sources.

CHAPTER THREE

STATEWIDE ADVOCACY FOR OLDER PERSONS

Advocacy activities on behalf of older people take several forms and are performed by an array of local, state, and national organizations of older people. The structure of present day advocacy on behalf of older people is characterized by an increase in sophisticated grassroots lobbying. This advocacy is evident in both the growth of organizations comprised of older people, and the visibility of these organizations at the national, state, and local levels.

AGING ADVOCACY ORGANIZATIONS

Currently, numerous national organizations are dedicated to the needs of the elderly. These organizations work to expand the base of public support for legislation and programs serving the elderly. In 1985, the combined membership of national organizations was estimated to be over 20 million persons. The three national organizations with the largest memberships of individual older people are the American Association of Retired Persons (AARP), the National Council of Senior Citizens (NCSC), and the National Association of Retired Federal Employees (NARFE). These organizations have chapters or affiliates in most states.

Other organizations represent special segments of the older population. The National Caucus and Center on the Black Aged (NCBA), for example, is concerned with improving the concerns of the black elderly. Other special interest groups include the Older Women's League, the National Indian Council on Aging, the National Association for Hispanic Elderly, and the National Pacific/Asian Resource Center on Aging. These specialized national organizations also have chapters or affiliates in selected states. Finally, within each state, other organizations of older people advocate on behalf of the elderly but are not specifically associated with any national organization. While those groups may differ in their objectives, resources, values, and areas of influence, all serve to represent the interests, needs, and concerns of various segments of the older population.

As stated above, older people are getting more involved in organizations, associations, etc. which advocate on their behalf. There are noticeable increases in their participation level in efforts organized to generate support for specific legislation. For example, in the state of Michigan, what started as a local advocacy effort is now a statewide effort. "Senior Power Day" is an annual event which provides older persons in Michigan the opportunity to advocate on their own behalf for specific legislation of major concern to them. During the course of the day older persons hear speakers, meet

with their legislator(s) to express their concerns, and attend workshops in priority areas such as tax-related issues, health care issues, and housing.

In order ensure that issues discussed with legislators are a priority to the majority of older persons in the state, a statewide needs survey is conducted prior to the event. The needs expressed by the state's older population are used to develop the senior platform for the year and to formulate legislative priorities as well. Events such as "Senior Power Day" in Michigan are clear indications that older people themselves are becoming the driving force behind advocacy activities on their behalf.

There is also an increasing trend toward the formation of state coalitions of individual aging organizations for the purpose of coordinating advocacy activities. In a recent survey of state units on aging, survey results indicated that coalitions of aging organizations have been formed in forty percent of the States. In addition, a number of other states are in the process of forming coalitions. Coalitions are usually comprised of representatives from such statewide groups as the State AARP Legislative Committee, state affiliates of the National Council of Senior Citizens, Gray Panthers, the leadership of the State Silver Haired Legislature, local chapters of the National Center on Black Aged, etc. The primary goal of most of the coalitions is to establish and maintain a grassroots network of advocacy

efforts to promote legislative actions. Some coalitions are governed by a formalized board.

In addition to maintaining comprehensive mailing lists and establishing telephone trees, most coalitions also utilize a newsletter to keep older persons up-to-date on coalition activities. Finally, with the participation of different groups in statewide coalitions, coordination can be enhanced on issues of significant priority, while individual organizations continue to independently pursue additional policy positions.

SILVER HAIRED LEGISLATURES

Silver haired legislatures have been responsible for involving older people in the legislative process and promoting conscientious legislative advocacy. The advent of silver haired legislatures has provided the opportunity for additional attention to be focused on the needs and concerns of older people throughout the state. At present there are sixteen states which have silver haired legislatures. Silver haired legislatures are a two or three day model legislative session conducted annually or bi-annually usually in the fall. Seniors from all over the state come to the capitol to propose and debate legislation which reflects the concerns of older people. Usually, these sessions meet in the legislative chambers of the state capitol. Delegates to silver haired legislatures are generally 60 years of age or older and are elected by their peers at the local levels. In most instances, to qualify as candidates seniors are

required to submit petitions containing a specified number of signatures of registered voters 60 or over from their respective districts. Approximately three months before the election, candidates campaign at the local level. Public hearings are held at town halls, congregate meal sites, and senior centers to give candidates the opportunity to hear the concerns of those older persons who they will represent if elected.

Following the election of delegates for the silver haired session, delegates are assembled for intensive orientation and training. Training agendas include, for example, instructing delegates in the formal and informal legislative process, assisting delegates in determining priorities for their geographic areas, drafting and filing a bill, effective letter writing, etc. Delegates are assigned to one of several standing committees, which ultimately draft the proposed bills within a substantive area.

Silver haired legislatures can be an effective way for older people to advocate passage of state legislation. Generally, they are recognized as a legitimate voice for older people since they are elected by their peers and represent a large number of people from different organizations, economic groups, interests, and ethnic backgrounds. Their success in helping formulate state policy depends in part on their follow-up activities with state legislators to encourage them to introduce priority legislation. Follow-up advocacy activities

include, for example, informing older people, advocates, organizations of older people, and state legislators what the priority bills are; monitoring bills throughout the legislative process, determining appropriate advocacy strategies for priority bills, etc.

Funding for silver haired legislatures is provided by various sources. In some instances state funding is provided. In other states funding is provided by private sector contributions from a variety of firms. The following matrix (Table III-1) provides specific information about each of the silver haired legislatures in the 16 states that to date, have organized them.

WASHINGTON STATE SENIOR CITIZENS LOBBY: A CASE STUDY OF EFFECTIVE ADVOCACY

In addition to silver haired legislatures and coalitions of aging organizations, there are other forms of sophisticated grassroots advocacy efforts undertaken by older persons. In Washington state, the Senior Citizens' Lobby has evolved into what has been described as one of the most aggressive lobbies in the state of Washington. The Senior Citizens' Lobby grew out of a concern of many that past advocacy activities in the state had not produced desired results. In order to realize specific goals, the senior citizens' lobby took shape in 1977.

The Senior Citizens' Lobby is a non-governmental body which to a large degree concentrates its efforts on educating older

Silver Haired Legislatures

Table III-1

STATE	FUNDING SOURCE	# OF DELEGATES SELECTION PROCESS	FREQUENCY OF SESSIONS	SHL STRUCTURE
AR	Off. of Aging and Adult Services	99 Delegates. Persons secure the signature of a minimum number of older persons at the county level. Delegates are elected by peers at the local level.	Bi-annually	No SHL elected officers. Speaker of the House of the Arkansas legislature presides over the SHL sessions. 6 Committees
CA	State Revenues (check off on state tax return)	120 Delegates. Persons secure the signature of a minimum number of older persons at the county level. Delegates are elected by peers at the local level.	Annually	Same structure as state legislature
FL	Donations Membership Dues	160 Delegates. Must secure signature of 25 registered voters 60+ who reside in the same legislative district in order to qualify as a candidate. Candidates must be registered state voters. Delegates elected by their peers at the district level.	Annually	Officers: SHL Delegates elect President of the Senate President Pro-Tem Speaker of the House Speaker Pro-Tem 10 Standing Comm.
GA	Private Donations State Office on Aging	101 Delegates. Persons secure the signature of a set number of older persons at the local level. Delegates are elected by their peers at the district level.	Bi-annually	Officers: SHL Delegates elect President of the Senate Speaker of the House 5-6 Standing Comm.
IN	State Unit on Aging	100 Delegates. Delegates allotted to 16 AAA's based on 60+ population and selected through AAA's in various ways.	Bi-annually	Officers: SHL Delegates elect Speaker Speaker Pro-Tem 9 Standing Comm.

STATE	FUNDING SOURCE	# OF DELEGATES SELECTION PROCESS	FREQUENCY OF SESSIONS	SHL STRUCTURE
IA	State Legislature Commission on Aging	100 Delegates. Interested persons are required to secure the signature of a set number of older persons through a petition process. Delegates are elected by their peers at the community level.	Annually	Officers: SHL Delegates elect Speaker Speaker Pro-Tem Floor Leader 7 Standing Comm.
KS	Private (fundraising)	125 Delegates. Delegates are elected by older people in each county.	Annually	Officers: SHL Delegates elect Speaker of the House Speaker Pro-Tem Floor Leader 7 Standing Comm.
MA	State Legislature Appropriations	70 Delegates. Delegates are elected through local councils on aging.	Annually	Officers: SHL Delegates elect Speaker of the House Senate President
MO	State Unit on Aging	158 Delegates. Delegates are elected through elections held by the AAA's.	Annually	Officers: SHL Delegates elect Speaker of the House Majority Whip 6 Comm. (House) 4 Comm. (Senate)
NE	Donations State Funds Membership Dues	49 Delegates. Delegates are elected at the district level.	Annually	Officers: SHL Delegates elect Speaker Committee Chair 7-8 Standing Comm.

STATE	FUNDING SOURCE	# OF DELEGATES SELECTION PROCESS	FREQUENCY OF SESSIONS	SHL STRUCTURE
ND	Donations Office on Aging	109 Delegates. Delegates are elected at the county level.	Bi-annually	Officers: SHL Delegates elect Steering Comm. 2 Standing Comm.
OK	Special Unit on Aging	66 Delegates. Delegates are elected by their peers at the district level.	Bi-annually	SHL Delegates elect Senate: President Pro-Tem Floor Leader House: Speaker Speaker Pro-Tem 4 Committees in each House
RI	State Funding	100 Delegates. Delegates are elected by legislative districts.	Bi-annually	SHL is structured the same as the State Legislature SHL leadership 4-5 Committees.
VA	Private Sources	140 Delegates. Delegates are elected by legislative districts.	Bi-annually	Officers: SHL Delegates elect President Pro-Tem Speaker of the House 7 Standing Comm.
WV	State Legislature	134 Delegates. Delegates are elected by their peers at the regional level.	Annually	Officers: SHL Delegates elect President Pro-Tem Speaker of the House Majority and Minority leaders 4 Standing Comm. in each House Rules comm. in each house.
WY	Donations Commission on Aging Senior Centers	48 Delegates. Delegates are elected by their peers at the county level.	Annually	Officers: SHL Delegates elect Speaker of House Speaker Pro-Tem Parliamentarian Floor Leader Sergeant-at-Arms 6 Standing Comm.

persons at the local level. The lobby operates on personal funds of the members and voluntary contributions from organizations and individuals. Its members consist of one member each from such statewide aging groups as retired federal employees, state chapters of the American Association of Retired Persons and the National Council of Senior Citizens, union retiree groups, the state Advisory Council on Aging, Alzheimer support groups, the State Association of Churches and others.

One of the main purposes of the Senior Citizens' Lobby, as stated in the by-laws, is "to enhance the quality of life for seniors through education and legislation." This is done, in part, through meetings attended by older people to discuss issues and suggest appropriate strategies for specific legislation. Another strategy is conducting leadership training conferences. An underlying assumption is that efforts to achieve policy changes work best when they are developed, shaped, and understood at the local level. Therefore, during the off-year legislative sessions, leadership training conferences are held at the local level. At these conferences, members of the senior lobby provide training to local older persons in a number of pertinent areas, i.e., legislative advocacy, aspects of the aging network, etc. The training conference is used to acquaint older persons with the issues that may be considered in the upcoming legislative sessions. In addition, the conference is used to examine issues and to allow older participants the

opportunity to express their opinion on what action should be taken. The results from the conferences serve as the basis for developing issue priorities for the coming session. When the Senior Citizens' Lobby legislative package is determined it is presented to legislators, the governor and others as appropriate.

Once the legislative session is underway, members of the senior lobby stay on top of their proposals. Weekly newsletters are utilized during the legislative session to keep older persons informed of the status of proposals being considered. Perhaps the most significant aspect of the senior lobby's communication methods is the use of the telephone. A toll free Senior Hotline is maintained during the legislative session, funded entirely by contributions to the Lobby. The Hotline provides older people with information on hearing dates, the status of priority bills, and suggestions on actions to support legislative efforts. In addition, a telephone-tree communications network is maintained to provide timely information to members of the senior citizens' lobby throughout the state. Due to the tremendous success of the Washington Senior Lobby, aging organizations in other states have attempted to replicate this approach.

THE CURRENT STATE AGING POLICY AGENDA

State organizations of older people are concerned with a wide range of issues. Recently, the National Association of

State Units on Aging (NASUA) conducted a survey of State Units on Aging to identify the state legislative issues receiving the greatest attention by state aging advocacy groups. Health and long-term care, tax-related issues, and increased appropriations for community services emerged as the top three areas of concern to state advocacy organizations.

Under health and long term care related issues, hospital cost containment, the development of effective and efficient long term care systems and sufficient Medicaid financing are major concerns aging advocacy groups have identified. Several factors have contributed to these concerns, including rising hospital costs, increases in out of pocket expenditures for health care by the elderly and limited community options for long term care.

Elderly-related tax issues are the second most important concern to state organizations of older people. Since many states have a variety of tax policies designed to assist older people, most state aging groups are not pressing for new tax programs, but are rather interested in fine-tuning existing measures. Emerging areas of concern to aging groups are ending sales taxes on food and drugs, not taxing social security, and allowing dependent care credits for people caring for an elderly relative.

Increased appropriations for community and in-home services is another area of major importance to aging groups and organi-

zations. Supportive community services such as home delivered meals, homemaker services, adult day care, home nursing services, and transportation are critical in assisting older persons to continue living in the community.

It can be expected that statewide aging advocacy organizations will continue to grow and to gain more public attention. The elderly population is increasing in both absolute numbers and as a percentage of the total population. As a result, the concerns of this group will become more visible. At the same time, advocacy groups will become more experienced and sophisticated in influencing public policy.

AN ADVOCACY RESOURCE: THE NETWORK OF STATE AND AREA AGENCIES ON AGING

A growing nationwide awareness of the problems of the elderly - and the need for services and assistance in their behalf - led to the passage of the Older Americans Act (OAA) in 1965. This legislation, which created the Federal Administration on Aging (AOA), also mandated the establishment of a state unit on aging (SUA) in each state for administration of the act. Since 1965, the Older Americans Act has been amended by Congress several times. Each revision has expanded the role and responsibilities of the state unit on aging and in 1973 called for the establishment of area agencies on aging (AAA). At the same time, increased responsibility and authority beyond that mandated by the Act has been delegated to the state and area agencies

on aging by Governors, state legislatures, and local governments. State and area agencies today perform a variety of functions and provide expertise and financial support in a wide range of areas, such as specialized in-home health programs, community alternatives to institutional care, employment opportunities, tax relief proposals, consumer protection measures, and congregate and home delivered meals programs.

WHAT IS A STATE UNIT ON AGING?

A state unit on aging is an agency of state government designated by the Governor and the State Legislature as the focal point for all matters relating to the needs of older persons within the state. The state unit on aging is the agency at the state level responsible for planning, coordinating, funding and evaluating programs for older persons authorized by both federal and state governments. The goal of the state unit is to improve the quality of life for older Americans by advocating on their behalf, and by promoting the development of a comprehensive and coordinated system of social and health services.

The term "state unit on aging" is a general term. The specific title and organization of the agency will vary from state to state. The state unit may be called a Commission, an Office, a Department, a Bureau, a Council, a Board, or it may carry some other title such as an Aging and Adult Services Program. Generally, the state unit is located in the capitol of each state.

Appendix A lists the names and address of the 57 state units on aging. Older persons in need of information on subjects of concern to them, such as state tax policy, are encouraged to contact the state unit on aging. The state unit can also put you in contact with your local area agency on aging.

Appendix B lists the addresses and telephone numbers of state tax revenue departments. For in-depth information on a given tax related issue, the revenue department can be contacted.

WHAT IS AN AREA AGENCY ON AGING?

An area agency on aging is a public or non-profit private agency or organization designated by the state to administer the Older Americans Act and its programs at the substate level. Like its counterpart at the state level, an area agency on aging serves both as the advocate and visible focal point in its planning and service area to foster the development of more comprehensive and coordinated service systems to serve older individuals. Within this context, area agencies on aging have a clear responsibility to assure that supportive and nutrition services are made available to older persons in communities where they live. Significantly, it is through the area agency on aging that most Older Americans Act services are funded, implemented, coordinated, expanded, and upheld.

MAJOR RESPONSIBILITIES OF THE STATE AND AREA AGENCIES ON AGING

Service System Development - A prime goal of the state and area agencies on aging is to develop a comprehensive and

coordinated system of social and nutritional services needed by older persons. This system is comprised of four types of services:

- o Access services - such as transportation, outreach, and information and referral
- o Community services - such as congregate meals, continuing education, legal services, and counseling and assistance
- o In-home services - such as home health, homemaker, home-delivered meals and chore maintenance
- o Services to residents of care-providing facilities - such as casework, placement/relocation, and grievance resolution.

In order to ensure that this system of services is accessible, coordinated, and responsive to the needs of older persons, the SUA works in partnership with the area agencies on aging to further develop and implement service delivery systems at the local level. Further, the state and area agencies work to improve existing relationships and establish new links among federal, state, and local agencies and private organizations which are capable of providing opportunities and services to older persons.

Advocacy - The state and area agencies act as an advocate on behalf of older persons by:

- o Representing the interests of older persons before state and local legislative, executive, and regulatory bodies
- o Reviewing and commenting on state and local plans, budgets, and policies which affect older persons
- o Providing technical assistance to agencies, organizations or individuals representing older persons.