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***NEBRASKA TAXPAYERS FOR FREEDOM* ISSUE PAPER:**

HOMESTEAD EXEMPTIONS FOR SEASONED CITIZENS.

BACKGROUND. A homestead tax exemption is an annual exemption that excludes all or part of the value of a house and land from property taxes. This exemption can reduce the taxes on a house and prevent one from losing a home during an economic downturn by offering protection from creditors. These protections designed to help an individual or couple stay in their home and avoid being priced out of neighborhoods where property valuation is drastically increasing. In paperwork, one must prove that one qualifies for the exemption with documentation such as a copy of a driver's license to show proof of age, military discharge papers, or annual tax return. When seniors face financial hardship from savings depletion, a debilitating illness, or the death of a spouse, a homestead tax exemption offers a major benefit. Several states have laws that protect surviving spouses or partners from creditors, which can help them stay in their homes once their income has decreased because of the death of a spouse. Laws also can help avoid bankruptcy. After April 1, 2019, federal bankruptcy law shields a home from sale, if home equity does not exceed $25,150. A homestead exemption does not affect your federal or state tax returns. Exemption only on a primary residence, not a second or vacation home or investment property. Only citizens qualify. One must reside in the state where applying for an exemption. One cannot receive a tax exemption on other property in the U.S. An individual can keep a homestead exemption if temporarily moving away from home. In this case, one may not establish a principal residence in another state and must plan to return to the home. For example, if you spend winter in another state but return to your permanent residence in the spring, a homestead exemption is still applicable. Several states require applicants to own and occupy a property by a specific date of each tax year, declare residency there, and occupy the property for at least 6 months during the year.[1]

TYPES. States offer a homestead exemption in 2 forms, a flat-dollar homestead exemption or a percentage exemption:

- **Flat-dollar tax exemption:** In this type of tax exemption, the amount owed drops by a specific number. For example, if a home valued at $200,000 and the state allows a homestead exemption of $30,000, taxes paid on only $170,000. Missouri homestead law allows for a $15,000 exemption limited to homes, corresponding buildings, and the land on which they stand. In Wyoming, an individual can exempt only up to $20,000 of a home or $40,000 for a married couple who files jointly. Ohio allows qualifying homeowners to exempt up to $25,000 of the market value of their homes from all local property taxes. So, if one is eligible for the state property tax exemption and owns a $150,000 home, the property taxes calculated as though the house market value is $125,000. In another state example, if a house property value frozen at $200,000, 5 years from now, if the home is now worth $220,000, the homeowner would pay taxes on only a $200,000 home, not a $220,000 home. In Iowa, the new exemptions will reduce the taxable value of the property rather than reducing the amount of property tax paid. For the assessment year beginning January 1, 2023, the exemption is for $3,250 of taxable value. For assessments starting on January 1, 2024, or later, the exemption is $6,500 of taxable value. Granted exemptions then allowed automatically without needing to make future filings while the homeowner continues to qualify.[2]

- **Percentage exemption:** In a percentage exemption, a home taxable value reduced by a percentage. If a home worth $200,000 and the homestead exemption is 20%, taxes paid on $160,000. High-value properties typically benefit more from this kind of exemption. In the November, 2000 election, Colorado voters passed a Property Tax Exemption for seniors, Referendum A. Qualifying seniors now see 50% of the first $200,000 of actual value of their primary residence exempted from property tax. North Carolina excludes from property taxes a portion of the appraised value of a permanent residence owned and occupied by state residents aged 65 or older or totally and permanently disabled whose 2023 income does not exceed $36,700 annually. The amount of the appraised value of the residence excluded from taxation is the greater of $25,000 income or 50% of the appraised value of the residence. Income defined as monies received from every source including Social Security benefits, retirement payments, proceeds from insurance policies, interest, dividends, etc. No exclusion for gifts or inheritances from a

[1] Melissa Brock, Homestead Exemption Explained, June 8, 2023.

[2] WHO. Iowa senior homeowners can file for new property tax exemption now, May 19, 2023

spouse or immediate family member. If one previously has received this exclusion, one does not need to apply again unless changing a permanent residence. For an owner whose income total for the previous year does not exceed the income eligibility limit for the current year, which for the 2023 tax year is $36,700, the taxes limited to 4% of owner income. For an owner whose income exceeds the income eligibility limit, $36,700, but does not exceed 150% of the income eligibility limit, which for the 2022 tax year is $55,050, the owner taxes limited to 5% of owner income.[3]

SCHOOL EXEMPTION. Several states offer exemptions from school property taxes and school bond issues, factoring in income and age limits. A Texas tax ceiling states that once an individual reaches 65, school district taxes on a resident homestead cannot increase. If the school district property taxes decrease, a bill will drop lower, but the bill will not increase above the school district tax amount one paid in the year one qualified for the senior freeze. The only way the school district tax will increase is if a homeowner makes a significant improvement to a property, discounting regular home repairs and maintenance.

NEBRASKA. In Nebraska, one must file a form with the county assessor between specific dates. Our homestead exemption applies to the following individuals:

- Individuals 65 or older, with income below $48,601 for an individual and $57,701 combined income for a couple. Dollar amounts subject to change annually.
- Qualified disabled persons.
- Qualified disabled veterans and their widow(er)s.
- You must own and reside in your home. Home valuation is a factor in figuring an exemption. Assessed value of your house must set at less than 2 times the county average.
- Exemptions calculated on a sliding scale based on income and house value.

THE PROBLEM. Annual incomes and home valuations vary from year to year. One may have an income boost one year but see an inflation spike in a home valuation. Also, a spike in house valuation will erode the property tax credits allowable to a senior homeowner. Valuation spikes may prevent a senior homeowner from making needed repairs or desired renovations, thereby actually decreasing home value. As retiree annual incomes vary, someone qualifying for exemption may have a 100% exemption one year, 60% the next year, and only 30% a following year. Such circumstance wreaks havoc with those attempting to plan their finances for the future and plans to remain in their current residence. Despite homestead options, too many senior citizens lose their beloved residences because of high property valuations/ bills.

SOLUTIONS. Senior citizens deserve increased relief on property tax payments. They mostly have limited incomes, pay ever higher amounts for health and medical care and insurance, and face constant inflationary costs and higher tax loads. *We suggest that every individual or couple, upon reaching age 65, residing for at least 5 years in a house valued at $600,000 or less, become exempt from paying school property tax, which equates to 55%-60% of property taxes. Those reaching age 70, residing for at least 10 years in a house valued at $600,000 or less, would become 100% exempt from all property tax. Moving to another primary residential home would still meet the qualification. No income eligibility limit.* The outflow of our senior citizens deprives our state economy of their disposable income and continued expertise post-retirement. Using the above information, contact your state senator to legislate this property valuation relief and contact your county commissioner to support it. Email netaxpayers@gmail.com for state senator contact information and to join our NTF *Property Tax Project*.

[3] Geoff Williams, I'm a Senior. When Can I Stop Paying Property Taxes? March 3, 2023.