**D.C. Tax Revision Commission Policy Options**

# Policy Option #43: Eliminate the Senior Tax Credit

**MEMORANDUM**

**Proposal:** Eliminate the senior tax credit
**Tax Type:** Property
**Origin:** Mike Bell
**Commission Goal:** Broaden the tax base

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### Current Law

Residents ages 65 and older and persons with disabilities qualify for a 50% reduction in real property taxes if their household adjusted income is less than $125,000. These taxpayers must own and occupy their property to qualify for the tax credit. Taxpayers must apply to the Office of Tax and Revenue to receive the credit. In 2011, 18,320 taxpayers received the credit.

The fiscal year 2014 budget raised the income limit for the credit from $100,000 to $125,000 and linked the income limit to inflation going forward.

### Proposed Change

Eliminate the senior tax credit.

### Reason for Change

The senior tax credit is a costly and narrowly targeted tax expenditure. Repealing it would broaden the property tax base, which could allow D.C. to lower the rate for all residential property taxpayers.

### Pros

- Eliminating the tax credit broadens the property tax base and could fund a reduction in the residential property tax rate. The credit benefits a discrete group while a lower rate would benefit all taxpayers.
- There are other property tax relief programs for low-income taxpayers (e.g., circuit-breakers).
- Would make the property tax simpler.

**Cons**

- The tax credit provides tax relief to seniors and people with disabilities, many living on fixed income, who may struggle to pay their property taxes. Eliminating the credit would increase the tax burden on all current beneficiaries.

**Revenue Impact**

The Office of Revenue Analysis estimates that in the first year of implementation eliminating the senior tax credit would raise $21 million in new tax revenue