

# Policy Memorandum

FISCAL  
RESEARCH  
CENTER

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FISCAL RESEARCH PROGRAM  
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**SUBJECT:** Property Tax Circuit Breaker

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There is concern that as property values increase, households on fixed incomes will find it harder and harder to pay property taxes. This can result in elderly households being forced to sell their homes and pressures on local governments to reduce or cap property taxes.

## **Proposal**

At least 34 states have adopted property tax circuit breakers. The basic idea is that property taxes should not exceed a certain percentage of the household's income, i.e., income should not be overloaded by property taxes. Under these programs, a portion of the excess property taxes is relieved, usually as a refundable credit on the taxpayer's state income tax return. Most programs include renters by assuming that a certain percentage of the rent reflects property taxes.

Most programs are restricted to low income elderly. Usually the portion of the excess property taxes that are relieved is a declining percentage of household income. Most programs have a maximum dollar amount of relief.

The revenue implication of such a program can be small or large depending on how the various parameters are set. These parameters include the eligible income levels, the eligible age, the maximum property taxes as a percentage of income, the percentage of rent that is considered property taxes, and the percentage of the excess that is relieved.

Some rough guesses of the program cost based on a 10 year old study are as follows. The cost of a circuit breaker for which there is no age or income limit and owners and renters are eligible would cost over \$150 million. Limiting eligibility to low income (under \$30,000), elderly (60 years and over) would cost about \$30 million. For these programs all property taxes over 3 percent of income is relieved and 12 percent of rent is assumed to be property taxes.

Circuit breakers have been criticized for providing more relief to those with greater property wealth (given income), and for providing forgiveness of tax liabilities when deferral may be more appropriate.

One legal difficulty with implementing a circuit breaker program in Georgia is that the state Constitution will likely have to be amended to allow a refundable credit.