OVERVIEW OF PROPERTY TAX CIRCUIT BREAKERS AND DESCRIPTION OF CIRCUIT BREAKERS IN MONTANA

Prepared for the Revenue and Transportation Committee

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INTRODUCTION

The purpose of this report is to provide an overview of property tax circuit breakers, summarize existing property tax assistance programs in Montana, and suggest a few ideas that the Revenue and Transportation Interim Committee may want to consider in its evaluation of property tax circuit breakers.

Attached to the report are tables of the states that use some form of a property tax circuit breaker. The tables are from a Lincoln Institute of Land Policy publication entitled "Property Tax Circuit Breakers: Fair and Cost-Effective Relief for Taxpayers"[1]. That report serves as the basis for much of the discussion on the overview of circuit breakers.

PROPERTY TAX CIRCUIT BREAKERS

The term "property tax circuit breaker" was coined by John Shannon of the Advisory Commission on Intergovernmental Relations[2] (ACIR) in the 1960s to express the idea that, in the same manner that electrical circuit breakers prevent circuits from becoming overloaded by electrical current, property tax circuit breakers can prevent taxpayers from being overburdened by property taxes.[3] Property tax circuit breakers generally provide property tax relief that declines as income rises.

Most property tax circuit breakers are usually, but not always, restricted to low-income or low-income to moderate-income taxpayers because taxpayers in these income brackets may not have the ability to pay high property taxes.

In a report published in 1974, the ACIR described the types of coverage of property tax circuit breakers:

- "Basic" circuit breakers apply to older homeowners, typically 65 years of age or older;
- "Expanded" circuit breakers apply older homeowners and renters; and
- "General" circuit breakers apply to all homeowners and renters that meet the state income criteria.[4]

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[1]The report is available for free downloading at www.lincolninst.edu/pubs/ (see footnote 3 for citation).

[2]The advisory commission went out of business on September 30, 1996, after Congress eliminated its funding.

[3] John H. Bowman, et al., "Property Tax Circuit Breakers: Fair and Cost-Effective Relief for Taxpayers", Lincoln Institute of Land Policy, (Cambridge, MA, 2009) p. 5.

[4]John H. Bowman and Michael Veseth, "Property Tax Circuit Breakers: Current Status and Policy Issues", Advisory Commission on Intergovernmental Relations, (Washington D.C., February 1975), p. 3.

According to the ACIR report, in 1974, 22 states provided some form of property tax assistance circuit breaker: six states provided basic relief, 12 states and the District of Columbia provided expanded relief, and four states provided general relief.[5]

The Lincoln Institute of Land Policy lists 33 states and the District of Columbia as providing some type of property tax circuit breaker.[6] Following the terminology of the ACIR report, six states provide basic property tax circuit breakers (which may also include the disabled); 13 states provide expanded property tax circuit breakers; and 13 states and the District of Columbia provide general property tax circuit breakers. The amount of relief provided by the type of coverage may vary depending on the characteristics of the recipient. Oregon provides property tax relief only to renters. (See Lincoln Institute of Land Policy tables at the end of the report.)

TYPES OF CIRCUIT BREAKERS

There are variety of property tax circuit breakers, including threshold, sliding scale, hybrid, and quasi circuit breakers.

Threshold Circuit Breakers

A threshold circuit breaker provides property tax relief for the portion of a taxpayer's property tax bill that exceeds a given percentage of income.[7] States may use a single threshold percentage or multiple percentages that rise as income rises.

Under a single threshold circuit breaker, any property tax amount above a specified percentage of income would qualify for relief. For example, if the threshold were set at 5% of household income, the appropriate tax burden for a household with an income of $35,000 would be $1,750. If the actual tax bill were $2,190, the household would qualify for $440 of tax relief. The tax burden for a household with an income of $20,000 would be $1,000. With a property tax of $2,190, the household would qualify for $1,190 of property tax relief.

Under an "ideal" multiple threshold circuit breaker, a different threshold percentage applies to different brackets of income. The thresholds apply incrementally, similar to a graduated income tax, to each bracket of income. If the thresholds do not apply incrementally, moving to a higher income bracket would mean the higher threshold would apply to all of the household's income.[8] If a $1 increase in income moved a taxpayer into a higher income bracket, the taxpayer may have a larger reduction in tax relief. This result is referred to the "notch effect".[9]

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[5]*Ibid.*, p. 4.

[6]*Op. cit*., "Property Tax Circuit Breakers: Fair and Cost-Effective Relief for Taxpayers", p. 5.

[7]Adam Langley, "Estimated Cost and Distribution of State-Funded Circuit Breakers", *State Tax Notes*, April 13, 2009, Vol 52, No. 2, p.132.

[8]*Op. cit*., "Property Tax Circuit Breakers: Fair and Cost-Effective Relief for Taxpayers", p. 16.

[9]*Ibid.*, p. 34.

The table below shows two examples of the tax relief by income level under a multiple threshold scheme.

The first example is a variation of a hypothetical example contained in the Lincoln Land Institute report. Under this example, property taxes paid increase as income increases.

Table 1: Property Tax Relief Under Multiple Threshold Circuit Breakers				
Hypothetical Property Taxes Without Circuit Breaker				
Household income	$10,000	$20,000	$30,000	$40,000
Property taxes	$1,000	$1,500	$2,000	$2,500
Property tax as percent of income	10%	7.5%	6.67%	6.25%
Hypothetical Property Tax Circuit Breaker: Benefit offsets any property tax above 0% of first $5,000 of income; 2% for next $5,000 ($10,000), 4% for next $10,000 of income ($20,000), and 6% for next $20,000 of income ($40,000)				
Tax paid by taxpayer	$100	$500	$1,100	$1,700
Circuit breaker amount	$900	$1,000	$900	$800
Tax as a percent of income	1%	2.5%	3.7%	4.25%
Rhode Island Property Tax Circuit Breaker (married taxpayers): Benefit offsets any property tax above 3% of first $6,000 of income; 4% for income up to $9,000; 5% for income up to $12,000; 5% for income up $15,000; and 6% for income up to $30,000[10]				
Property tax	$1,000	$1,500	$2,000	NA
Circuit breaker amount without cap	$500	$300	$200	NA
Circuit breaker cap	$300	$300	$300	NA
Tax paid by taxpayer	$700	$1,200	$1,800	NA
Tax as a percent of income	7%	6%	6%	NA

The second example is based on the Rhode Island circuit breaker. All full-year homeowners and renters with incomes of $30,000 or less are eligible for an individual income tax credit or rebate for property taxes paid or deemed paid (20% of annual gross rent) on the principal residence in excess of fixed percentages of household income. The threshold amounts do not apply

[10] There is a slightly different percentage schedule applied to the income brackets of single property taxpayers.

incrementally, and the maximum credit is limited to $300. [11] With the cap, the $10,000 household pays a larger percentage of its income on property taxes than do the other income groups.

In the Rhode Island example, if the threshold amounts applied incrementally and if the cap were $500, the property taxes paid by each household would be proportional to income.

Sliding Scale Circuit Breaker

A sliding scale circuit breaker reduces property taxes by a fixed percentage within a given income class, with the same percentage reduction in property taxes for all eligible taxpayers within an income bracket, regardless of whether their property tax bill is high or low. The following list illustrates the reduction in taxes paid under a sliding scale circuit breaker:

- property tax bill multiplied by 75% for first $10,000 of income;
- property tax bill multiplied by 50% for income of $10,001-$20,000;
- property tax bill multiplied by 25% for income of $20,001-$40,000;
- property tax bill multiplied by 10% for income of $40,001-$60,000; and
- property tax bill multiplied by 5% for income over $60,000.[12]

Under a sliding scale approach, the tax benefit does not apply incrementally. A small increase in income could result in a disproportionate reduction in the tax benefit (notch effect).

Effects of Circuit Breakers

The threshold circuit breaker is (theoretically) based solely on the ability-to-pay principle and can make the residential property tax proportional or progressive over an income range. The threshold approach can provide more benefits to residents of higher-spending jurisdictions than to residents in lower-spending jurisdictions. It also can provide greater benefits to taxpayers living in higher-value homes.[13]

The sliding scale circuit breaker is also based, to a lesser extent, on the ability to pay. It establishes several income brackets, and the relief percentages decline as income increases. All eligible taxpayers within an income bracket receive the same percentage reduction in taxes regardless of how high or low their property tax bills are.

The sliding scale circuit breaker ensures that households share in tax increases so that the increases to the households do not go to zero. Requiring households receiving property tax relief to bear a portion of property tax increases has been variously termed "coinsurance" (ACIR) or "copayment" (Lincoln Institute of Land Policy). This feature of the sliding scale circuit breaker

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[11] The maximum credit in Rhode Island is being incrementally increased from $300 to $500 based on net terminal income from video lottery games (Section 44-33-9, Rhode Island General Laws).

[12] *Op. cit*., "Estimated Cost and Distribution of State-Funded Circuit Breakers", p. 133.

[13] *Op. cit.* "Property Tax Circuit Breakers: Current Status and Policy Issues", p. 3.

induces taxpayers to consider the effects of property tax increases on their decision of whether to support the increases.[14]

A copayment from taxpayers can be incorporated into a threshold circuit breaker scheme by rebating less than 100% of the property tax in excess of the threshold.[15]

Other Types of Circuit Breakers
Quasi circuit breakers may use single or multiple income brackets to provide benefits to low-income taxpayers, but they are determined without regard to the actual property tax bill, except that the benefit may not exceed property taxes paid.[16] Wyoming, for example, provides a rebate of property taxes to married taxpayers that is the lesser of $900 or the actual property taxes paid. The rebate is phased out on incomes between $16,000 and $28,500. The rebate for single taxpayers is the lesser of $800 or the amount of property taxes paid and is phased out on incomes between $10,000 and $17,500. The program is designed to provide relief for property taxes, sales and use taxes, and utility costs.[17]

Utah provides a quasi circuit breaker based on seven brackets of income ranging from an $816 rebate for taxpayers with income up $9,368 to a $100 rebate for taxpayers with income between $24,802 and $27,557.

Because the benefit is not directly related to actual property taxes paid, taxpayers in the same income bracket receive the same benefit regardless of actual taxes paid.

Hybrid circuit breakers may combine elements of the threshold, sliding scale, and quasi circuit breakers (e.g., California and Colorado).

Limited Definition of Property Tax Circuit Breaker
The Center on Budget and Policy Priorities has a different view of what qualifies as a property tax circuit breaker. Only programs that establish a maximum percentage that a household is expected to pay in property taxes qualifies as a property tax circuit breaker. Using this criterion, only 18 states (including Montana's elderly homeowner and renter credit) have property tax circuit breakers.[18]

MONTANA CIRCUIT BREAKERS

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[14] *Op. cit.,* "Property Tax Circuit Breakers: Current Status and Policy Issues", (ACIR) p. 12.

[15] *Op. cit,* "Property Tax Circuit Breakers: Fair and Cost-Effective Relief for Taxpayers" (Lincoln Institute of Land Policy), p. 23.

[16] *Ibid..*, p. 17.

[17] *Ibid*., p. 52.

[18] See Karen Lyons, et al., "The Property Tax Circuit Breaker: An Introduction and Survey of Current Programs", Center on Budget and Policy Priorities (Washington, DC, March 21, 2007).

Montana provides separate, targeted property tax circuit breakers for low-income property owners, disabled veterans, and elderly homeowners and renters. The state also provides an extended property tax assistance program, under certain conditions, for residential property owners whose residential property has extraordinary market value increases because of reappraisal. This report does not deal with the extended property tax assistance program.

Property Tax Assistance Program (Sliding Scale Property Tax Circuit Breaker)
The property tax assistance program for low-income households is contained in 15-6-134, MCA. If a property owner meets the specified income and residency requirements (the residence must be occupied by the owner for at least 7 months of the tax year), the first $100,000 of taxable market value (taking into account the phasein value and the homestead exemption)[19] of improvements and up to 5 acres of land is eligible for a lower property tax rate, depending on income.

Residential property qualifying under the program is taxed at the tax rate in effect for the tax year (2.93% in tax year 2009) on its taxable market value multiplied by a percentage figure based on the income for the preceding calendar year of the owner or owners who occupied the property as their primary residence as follows:

Income Single Person	Income Married Couple Head of Household	Percentage Multiplier
$0 - $6,000	$0 - $8,000	20%
$6,001 - $9,200	$8,001 - $14,000	50%
$9,201 - $15,000	$14,001 - $20,000	70%

House Bill No. 658 revised the definition of income for meeting the income threshold requirements. For tax year 2009, income is the federal adjusted gross income of the property owner. For subsequent tax years, income is all income, excluding losses, depletion, and depreciation, reported on individual or corporate tax returns, before any federal or state adjustments to income.

The legislation also provided that the combined income of two or more owners of a residential property may not exceed the income thresholds that apply to married or head of household property taxpayers. Income threshold amounts are adjusted annually for inflation by the index for personal consumption expenditures.

Between 2005 and 2008, property taxpayer participation in the property tax assistance program declined from 9,187 to 7,079 participants, or by about 23%.
The table below provides hypothetical examples of the total amount of property taxes due, property tax relief, and the percentage of income paid in property taxes under the program. The

[19] Section 15-8-111, MCA, provides that properties in 15-6-134, MCA, are assessed at the applicable percentage of market value minus any proportion of market value that is exempt from taxation under 15-6-222, MCA.

income figures used in the table are the maximum, inflation-adjusted amounts in each income bracket.

Table 2: Low-income Property Tax Assistance for a $100,000 Residence and Equal Mill Levy, Tax Year 2009				
	Without PTAP	Two or more claimants per household		
Income (inflation adj.) Statutory brackets	$26,626+ ($20,001+)	$10,650 ($0-$8,000)	$18,638 ($8,001-$14,000)	$26,625 ($14,0001-$20,000)
Market taxable value	$100,000	$100,000	$100,000	$100,000
Tax rate	2.93%	0.59%	1.46%	2.05%
Taxable value	$2,930	$590	$1,460	$2,050
Mill levy	535	535	535	535
Property tax due	$1,568	$316	$781	$1,097
Property tax savings	0	$1,252	$787	$471
Percentage reduction in tax	0%	80%	50%	30%
Property tax paid as a percentage of income	NA	3.0%	4.2%	4.1%
Property tax paid as a percentage of income without assistance	less than 6%	14.7%	8.4%	5.9%

Note: The income figures used to calculate property taxes paid as a percentage of income have been adjusted for inflation using the implicit price deflator for personal consumption expenditures.[20] The income figures in parentheses are the nominal statutory amounts.

The program involves a notch effect for certain taxpayers as income increases. For example, a taxpayer whose income is $10,651 would be in the second bracket ($18,638). Because of the $1 increase in income, the property tax benefit declines by $465 ($1,252 - $787) and the property tax paid as a percentage of income increases to about 7%. Likewise, the property tax benefit for a taxpayer whose income is $18,639 ($26,635 income bracket) declines by $316 ($787 - $471), and the property tax paid as a percentage of income increases to about 6%. There is no phaseout of the benefit for incomes that exceed the maximum income threshold amount.

A property owner whose residence exceeds the threshold taxable market value pays the full amount of property tax on the taxable market value in excess of $100,000. As such, the percentages of income paid in property taxes shown in the table are understated to the extent that a property owner's taxable market value exceeds $100,000. The percentage of income paid in property taxes would also vary within an income bracket, depending on the taxable market value

[20]The statutory income amounts are adjusted by the ratio of implicit price deflator for personal consumption expenditure (PCE) for the second quarter of the year prior to the year of application to the PCE for the second quarter of 1995.

of the property and the mill levy.

The program reduces the amount of property tax revenue that would otherwise go to local taxing jurisdictions and the state (101 mills). The reduction of property tax revenue at the local level could be made up by shifting the burden to other taxpayers within the jurisdiction.

Disabled Veterans' Property Tax Exemption or Tax Rate Reduction (Sliding Scale Property Tax Circuit Breaker)

Disabled veterans are allowed a property tax exemption or tax rate reduction on their residential property (improvements and up to 5 acres of land) of between 50% and 100% of taxable market value of the property, depending on income (15-6-211, MCA).

Before 2003, 100% disabled veterans, within a certain income range ($30,000 for a single person and $36,000 for a married couple, unadjusted for inflation), were allowed a full property tax exemption for the veteran's residence. Senate Bill No. 65 (Chapter 399, Laws 2003), enacted in 2003, established the current program. The amount of property tax relief is calculated in a manner similar to the property tax assistance program.

Property qualifying under this program is taxed at the rate in effect for the tax year multiplied by a percentage figure based on income as follows:

Income Single Person	Income Married Couple Head of Household	Percentage Multiplier
$0 - $30,000	$0 - $36,000	0%
$30,001 - $33,000	$36,001 - $39,000	20%
$33,001 - $36,000	$39,001 - $42,000	30%
$36,001 - $39,000	$42,001 - $45,000	50%

To qualify for the exemption, the veteran must be 100% disabled for a service-connected disability or be paid at the 100% disabled rate by the U.S. Department of Veterans Affairs for a service-connected disability. The taxpayer's federal adjusted gross income for the preceding calendar year is used to determine the amount of relief in the current tax year.

The unmarried surviving spouse of a disabled veteran is eligible for the exemption or tax rate reduction depending on income. The tax rate reduction is not allowed for surviving spouses whose income exceeds $34,000, or $40,044 as adjusted for inflation.

Between 2002 and 2007, participation in the disabled veterans' exemption program increased from 1,002 property owners to 1,643, or by about 64%.

The table below provides a hypothetical example of the total amount of property taxes due, property tax relief, and the percentage of income paid in property taxes under the program. The income figures used in the table are the maximum amounts (as adjusted for inflation[21]) in each income bracket.

Table 3: Disabled Veterans' Property Tax Assistance for a $100,000 Residence and Equal Mill Levy, Tax Year 2009					
	Without DAV	Married Taxpayers or Head of Household			
Income (inflation adj.) Statutory brackets	$53,000+	$42,399 ($0-$36,000)	$45,933 ($39,000)	$49,466 ($42,000)	$52,999 ($45,000)
Market taxable value	$100,000	$100,000	$100,000	$100,000	$100,000
Tax rate	2.93%	0.0%	0.59%	0. 88%	1.47%
Taxable value	$2,930	$0	$590	$880	$1,470
Mill levy	535	535	535	535	535
Property tax due	$1,568	$0	$316	$471	$786
Property tax savings	0	$1,568	$1,252	$1,097	$782
Percentage reduction in tax	0%	100%	80%	70%	50%
Property tax paid as a percentage of income	2.96%	0%	0.69%	0.95%	1.48%

Note: The income figures used to calculate property taxes paid as a percentage of income have been adjusted for inflation using the implicit price deflator for personal consumption expenditures.[22] The income figures in parentheses are the nominal statutory amounts.

The program affects the amount of property tax revenue that would otherwise go to local taxing jurisdictions and to the state (101 mills) without the assistance. This program also has a notch effect.

Elderly Homeowner and Renter Credit (Multiple Threshold Property Tax Circuit Breaker)

Homeowners and renters who are at least 62 years of age are eligible for a state tax credit for property taxes, special assessments, and fees[23] paid either directly or indirectly as rent. The credit reduces the percentage of income that an eligible household pays in property taxes. The property tax equivalent for renters is 15% of gross rent. The taxpayer must have resided in Montana for at least 9 months of the claim period and must have occupied one or more dwellings in the state as an owner, renter, or lessee for at least 6 months.

[21] The income amounts are adjusted by the ratio of implicit price deflator for personal consumption expenditure (PCE) for the second quarter of the year prior to the year of application to the PCE for the second quarter of 2002.

[22] The statutory income amounts are adjusted by the ratio of implicit price deflator for personal consumption expenditure (PCE) for the second quarter of the year prior to the year of application to the PCE for the second quarter of 2002.

[23] The property tax assistance program applies only to property taxes.

Property taxes for qualifying taxpayers are limited to a percentage of income according to the following schedule:

Net Household income	Property Tax Limit As a Percent of Income
Less than $2,000	0.0%
$2,000 - $2,999	0.6%
$3,000 - $3,999	1.6%
$4,000 - $4,999	2.4%
$5,000 - $5,999	2.8%
$6,000 - $6,999	3.2%
$7,000 - $7,999	3.5%
$8,000 - $8,999	3.9%
$9,000 - $9,999	4.2%
$10,000 - $10,999	4.5%
$11,000 - $11,999	4.8%
$12,000 and over	5.0%

Net household income is gross household income (federal adjusted gross income, without regard to loss, plus all nontaxable income) less $6,300. Nontaxable income includes but is not limited to: the amount of capital gains excluded from gross income; alimony; support money; unemployment benefits (excluded from Montana gross income); nontaxable strike benefits; cash public assistance and relief; interest on federal, state, county, and municipal bonds; and all federal social security payments except social security income paid directly to a nursing home. Income also includes state and federal income tax refunds. Capital gains income is reduced by the taxpayer's basis.

The amounts determined by the schedule are subtracted from the property tax bill (or the rent equivalent amount) to determine the credit amount. The credit is limited to a maximum of $1,000 and is phased out on incomes between $35,000 and $45,000 according to the following schedule:

Gross household income	Percentage of credit allowed
$35,000 - $37,500	40%
$37,501 - $40,000	30%
$40,001 - $42,500	20%
$42,501 - $44,999	10%
$45,000 or more	0%

The table below shows hypothetical property tax benefits for eligible households using the taxable market value, income, and mill levy assumptions used to calculate the benefits for the property tax assistance program.

Table 4: Elderly Homeowner and Renter Credit for a $100,000 Residence and Equal Mill Levies, Tax Year 2009			
Gross household Income	$10,650	$18,638	$26,625
Income exclusion	$6,300	$6,300	$6,300
Net income	$4,350	$12,338	$20,325
Income adjustment	2.4%	5%	5%
Taxable market value	$100,000	$100,000	$100,000
Taxable value (2.93%)	$2,930	$2,930	$2,930
Mill levy	535	535	535
Property tax due	$1,568	$1,568	$1,568
Property tax limit (net income x adjustment)	$104	$617	$1,016
Credit (Maximum credit, $1,000)	$1,000 without maximum ($1,464)	$951	$552
Property tax paid	$568	$617	$1,016
Percentage reduction in tax	63%	61%	35%
Property tax paid as a percentage of income	5.3%	3.4%	3.8%
Property tax paid as a percentage of income without credit	14.7%	8.4%	5.9%

With the $1,000 cap on the credit, a taxpayer with an income of $10,650 would be worse off using the elderly homeowner and renter credit rather than the property tax assistance program. However, a taxpayer would benefit from using both programs. Based on a property tax bill of $316 (see Table 1), the taxpayer would be eligible for a $212 credit. Combined with the property tax assistance program, the person would receive a total of $1,464 in property tax relief and pay less than 1% of the taxpayer's income in property taxes.

On the other hand, other taxpayers would be equally well off using the elderly homeowner and renter credit alone or combining the two programs. For example, a taxpayer with an income of $18,638 who receives a benefit of $787 (pays property tax of $781) under the property tax assistance program would be entitled to claim a homeowner credit of $164 ($787 + 164 = $951). The taxpayer may be better off using both programs because of the immediate reduction in property taxes under the property tax assistance program.

The dollar figures for the elderly homeowner and renter credit are not adjusted for inflation. However, the Legislature has made some adjustments to the credit provisions. In 1995, the

Legislature increased the maximum credit from $400 to $1,000 (Chapter 574, Laws 1995)[24]. In 1997, the Legislature provided that an claimant with gross income of less than $35,000 was eligible for the credit, increased the income exclusion amount from $4,000 to $6,300, and provided that special assessments and fees qualified for the credit (Chapter 543, Laws of 1997). In 1999, the Legislature increased the gross income amount from $35,000 to $45,000 and provided that the credit is phased out on income between $35,000 and $45,000 (Chapter 547, Laws 1999).

The claim for the credit must be filed with the claimant's income tax return, or if the claimant is not required to file a tax return, then by April 15 of the year following the year for which the claim is made (Form 2EC). Between 2004 (the peak year of households claiming the credit) and 2007, the number of households claiming the credit declined from 24,892 to 22,081, or by about 11.3%. The entire amount of the decline is attributable to claimants who file only Form 2EC. The number of participants who filed the claim with the state tax return increased by about 9% during the same period.

This report has provided a brief overview of various types of property tax circuit breakers and a summary of property tax assistance programs (exclusive of the extended property tax assistance program) available in Montana.

In evaluating property tax assistance programs, the committee may want to consider a variety of factors. These factors could include, but are not limited to:

- A discussion of the advantages and disadvantages of each type of circuit breaker discussed in this report.

- A consideration of how the circuit breakers may be targeted. Many states limit property tax assistance to older taxpayers (and renters) or to older taxpayers (and renters) and the disabled, while several states provide assistance to all taxpayers (and renters) regardless of age. This could include an evaluation of the economic status and housing costs by age group.

- A general discussion on the adequacy of tax relief. Montana's existing circuit breaker programs could serve as the basis for the discussion.

- The development of a program design. This may include determination of the target population or populations, definition of income and income eligibility requirements, inflation adjustments, limits on relief (e.g., cap on the amount of market value to which relief may be applied), "copayments", and phaseout provisions.
- Other factors that may be considered in program design is how relief should be provided:

[24]The legislation, among other things, also revised the property tax assistance program by increasing the market value amount eligible for the tax rate reduction from $80,000 to $100,000 and the income limits, by decreasing the income brackets from 10 to three, and by changing tax rate reduction percentages.

rebate check, income tax credit, or reduction in property tax bill. In addition, the committee should consider whether the relief should be provided locally, by the state, or a combination of both. A related matter would be to take into account the costs of the circuit breaker design and the effect on other taxpayers.

- Property tax assistance could also be accomplished through a redesign of existing programs. Factors that could be considered in a redesign are residency and occupancy requirements, market value and land size limits, definition of income, and notch effects.

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