

Senior “Circuit Breaker” Tax Credit

What is it?

For tax years beginning on or after January 1, 2001, certain senior citizens in Massachusetts may be eligible to claim a refundable credit on their state income taxes for the real estate taxes paid on the Massachusetts residential property they own or rent and which they occupy as their principal residence. The maximum credit allowed is \$385 for the tax year beginning January 1, 2001. If the credit due the taxpayer exceeds the amount of the total income tax payable for the year, the excess amount of the credit will be refunded to the taxpayer without interest.

Eligible taxpayers who own their property may claim a credit equal to the amount by which their property tax payments in the current tax year (excluding any exemptions and/or abatements), including water and sewer debt charges, exceed 10% of their “total income” for the same current tax year. Taxpayers residing in communities that do not include water and sewer debt service in their property tax assessments may claim, in addition to their property tax payments, 50% of the water and sewer charges actually paid during the tax year when figuring their credit.

For renters, the law assumes that 25% of their rent goes toward property tax. Accordingly, renters may claim a credit in the amount by which 25% of their annual rental payment is more than 10% of their total income.

For purposes of the tax credit, a taxpayer’s “total income” includes taxable income as well as exempt income such as social security, treasury bills and public pensions. For a complete list of what constitutes “total income,” please contact the Massachusetts Department of Revenue’s Customer Service Bureau at the numbers listed below.

Who is eligible for the credit?

To be eligible for the credit for the 2001 tax year, a taxpayer must be 65 years of age or older before January 1, 2002 (for joint filers, it is sufficient if one taxpayer is 65 years of age or older), must own or rent residential property in Massachusetts and occupy the property as his or her principal residence. The taxpayer’s total in-

come cannot exceed \$41,000 for a single filer who is not the head of a household, \$51,000 for a head of household, or \$61,000 for taxpayers filing jointly. No credit is allowed for a married taxpayer unless a joint return is filed. Moreover, the assessed valuation of the real estate cannot exceed \$412,000.

No credit is allowed if the taxpayer claims the “married filing separate” status, receives a federal or state rent subsidy, rents from a tax-exempt entity, or is the dependent of another taxpayer.

Is the tax credit considered income?

Tax credits received by eligible taxpayers are not considered income for the purpose of obtaining eligibility or benefits under other means-tested assistance programs including food, medical, housing, energy and educational assistance programs.

How does a taxpayer claim the credit?

Taxpayers who are eligible for the tax credit in the 2001 tax year can claim the credit by submitting a completed Schedule CB, Circuit Breaker Credit, with their 2001 state income tax return. Schedule CB will be included in the Form 1 booklet that will be mailed during the last week of December. It will also be available on the web at www.mass.gov/dor.

What if the taxpayer is not required to file a state income tax return?

An eligible taxpayer who does not normally file a state income tax return may obtain a refund by filing a return with Schedule CB, Circuit Breaker Credit.

What documentation must the taxpayer keep?

As with all claimed tax credits and deductions, the taxpayer must keep all pertinent records, receipts and other documentation supporting his or her claim for the credit.

For further information, please visit www.mass.gov/dor or contact the Massachusetts Department of Revenue’s Customer Service Bureau at (617) 887-MDOR or toll-free in Massachusetts at 800-392-6089.

