

# This Is the Best Way to Help Older Homeowners

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**MarketWatch Blog** by Alicia H. Munnell



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*A proposed pilot project could relieve the tax burden on older people.*

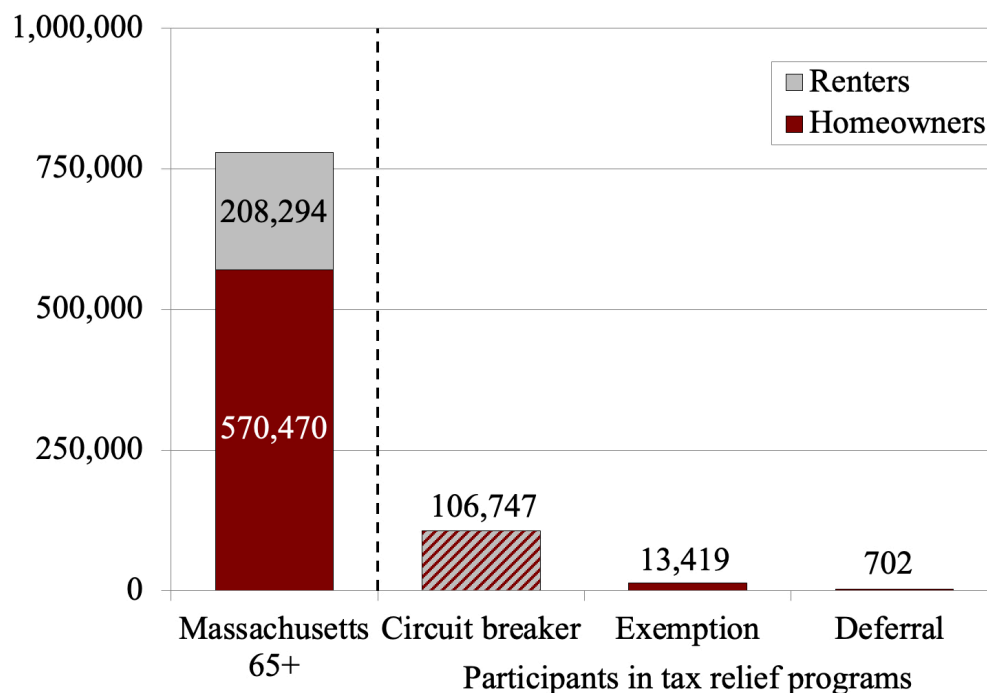
Some exciting news. Adam Scanlon, a representative in the Massachusetts House, has submitted a bill to establish “a senior property tax deferral pilot program.”

I have always been a great fan of thinking about the house as a retirement asset and about ways people can access the equity in their home to support themselves in retirement. The conventional approaches involve downsizing to a cheaper home, which requires retirees to move, or taking out a reverse mortgage, which allows people to stay in place but involves substantial complexity and upfront fees. A far better option, in my book, is property tax deferral.

Massachusetts has long recognized the burden of property taxes on older people and has three programs that offer some relief for low-income taxpayers (see Figure 1). The largest is the Circuit Breaker Tax Credit for taxpayers age 65+ who own or rent residential property. The credit equals the amount by which property taxes (plus half of water and sewer expenses)

or 25 percent of their rent exceeds 10 percent of income. The next largest is the property tax exemption of \$500 for those ages 70+ who meet stringent ownership, income, and asset requirements. The smallest program is property tax deferral, which allows local governments to permit some seniors to defer the payment of property taxes and to recoup these taxes plus interest when the homeowner dies or sells the house.

**Figure 1. MA Property Taxpayers 65+ and Participants in Property Tax Relief Programs, FY2022**



*Sources:* U.S. Census Bureau, *American Community Survey*, 2022; Massachusetts Department of Revenue. 2025. “Senior Circuit Breaker Credit Usage Report by Town (2001-2022).”; and Massachusetts Department of Revenue, Division of Local Services. 2025. “Municipal Databank/Local Aid Section: Exemptions Granted and Dollars Abated.”

Take-up for the deferral program is particularly low. Three factors appear to be at play. First, most homeowners are not eligible. Second, eligible homeowners are not aware of the program (since only wealthy communities tend to publicize their program) and often confuse it with other tax credit and exemption programs. Third, homeowners who are eligible and aware

often do not know how to apply, are concerned about a stigma attached to an income-tested program, or hesitate to place a lien on their home.

Several years ago, we proposed a new statewide property tax deferral program that could address many of these shortcomings.

- All individuals 65+ with a primary residence in Massachusetts would be able to defer their property taxes on the first \$1,000,000 of home equity until the sum of deferrals, accumulated interest, and mortgages reach 60 percent of the assessed value.
- Participation in the program would be triggered by simply checking a box on the city's or town's property tax bill.
- When the city or town forwards the tax bill to the State, the State would send the city or town an amount equal to the deferred taxes.
- The interest rate each year would be set at the State's borrowing cost plus a buffer to cover administrative costs and defaults.
- The State would retain a lien on the house for unpaid property taxes and would be repaid the principal plus interest within a year of when the homeowner(s) dies or sells the home.

This new program would achieve several important goals. First, an average older homeowner in Massachusetts would have access to about \$4,755 a year by deferring property taxes. The homeowner could choose to defer for a single year to help cover, say, the cost of a new roof, or to defer on an annual basis to supplement Social Security and any other retirement income. Second, having the program available to all would eliminate any concern about a stigma associated with deferral, which is important since inadequate retirement income is not limited to the poor. Third, it would alleviate the burden on localities and encourage them to advertise its availability.

Representative Scanlon's pilot would involve a set of municipalities so that about 10,000 households would be eligible to participate. The median income of the participants should match that for the state as a whole, and the municipalities should include various regions across the state. The pilot would provide an opportunity to see how many households chose to participate, to assess the impact on participants, and evaluate the potential cost of a state-wide program. (While the program would be revenue neutral at the household level, it has an impact on cash flow when government foregoes revenues upfront and recoups the loans with interest only when the home is sold.)

A senior property tax deferral pilot program is a wonderful idea. Hope the legislature supports it.