

Senior Tax Credit FAQs

Q. Why do I have to apply for the Homeowners' Tax Credit?

A. By law, applicants for the Senior Tax Credit are required to apply for all other credits that may be available for that property.

Q. What if I know I don't qualify for the State Homeowners' Credit since my assessment and taxes are so low, do I still have to apply?

A. Yes, we are not set up to do the state computation. As long as you meet the 2 minimum requirements (combined gross income does not exceed \$60,000 and net worth does not exceed \$200,000), you must apply for the Homeowners' credit.

Q. Can I get an estimated tax credit at this time?

A. No, all other credits need to be computed before the senior tax credit is calculated.

Q. Do I have to live in the house 6 months prior to July 1, 2011?

A. No, but it must be your principal residence where you live as of July 1, 2011 AND reside at least 6 months of the year thereafter.

Q. If I am over 70 but my spouse is not yet 70 years of age, can I still apply for the Senior Tax Credit?

A. Yes, as long as one of the owners is at least 70 years of age by June 30, 2011, you can apply

Q. I own several properties in Howard County. Can I get the Senior Tax credit on all of them?

A. No, the Senior Tax Credit is only available for residential real property that is used as the principal residence.

Q. What's the difference between taxable and non-taxable interest?

A. Taxable interest is found on the Federal Income Tax Return, Line 8a and Non-taxable interest is on Line 8b (Tax-exempt interest).

Q. Are capital gains included in the \$72,850 income limit?

A. Yes

Q. Are capital loss carryovers deducted in computing the \$72,850 limit?

A. No

Q. Is Schedule C Business expenses, including depreciation deducted in computing the \$72,850?

A. There is a line for Business Income (Net). You can deduct expenses, including depreciation, from any income up to the amount of the income, but you cannot deduct a Business loss from your total income.

Q. Are gambling losses deducted in computing the \$72,850 limit?

A. No, you cannot deduct any type of loss.

Q. What do I report for Social Security?

A. Social Security Benefits are shown on your social security benefit statement (SSA-1099), Box 5. They are also on the Federal Income Tax Return, Line 20a.

Q. What do I report for Pensions & Annuities on Section 20?

A. Pensions and Annuities are found on the Federal Income Tax Return, Line 16a. (If a rollover, attach a copy of the 1099-R and proof of deposit).

Q. Do I include the non-taxable cost recovery portion of my pension and IRA income in computing the \$72,850 limit?

A. Yes, all income (both taxable & non-taxable).

Q. How do I value my government pension for line 22.B?

A. If you have a pooled pension where you receive payments but there are no specific "assets" assigned to you it is not reportable on 22.B. Only accounts, such as 401Ks or IRAs in your name must be reported.

Q. How do I value my annuity for line 22.B?

A. There are two basic types of Annuities - Immediate Annuities and Deferred Annuities:

Immediate Annuities purpose is to provide for immediate periodic payment for a period of time. That period of time can be fixed OR it can be variable (generally until death). In this way people can make sure that "their money lasts until they die".

Deferred Annuities purpose is to provide for income in the future. In this scenario you make a payment or maybe series of payments into an account which earns something and at some time in the future you are paid a series of payments. This "money" is still legally yours and is an asset.

1) Ask if the annuity is immediate or deferred?

2) If immediate, then the asset value is Zero.

3) If deferred, ask your provider for a quote. It should be the value as of Dec 31 WITHOUT the surrender charge.

Q. If an asset is in 2 names (one is the homeowner, the other someone who does not live in the property), how does the asset count toward the \$500,000 limit.

A. The asset would count towards the net worth of the person whose SSN is on the account for IRS reporting purposes.

Q. Is a reverse mortgage counted as income?

A. No, we do not include this as income because it is looked at similar to a line of credit you might get. The line of credit allows you to get cash whenever needed, but the cash is not income because it has to be paid back on the loan.

Q. If a homeowner is currently in a nursing facility, do they qualify?

A. Yes, as long as they are still a principle resident on SDAT

Q. If a spouse is sending their any portion of income to pay for nursing home expenses for the other spouse, can this be deducted from the gross income?

A. Yes, with a letter from the nursing facility verifying the amount paid.

Q. If I don't have a copy of my SSA-1099 what do I do?

A. Contact the Social Security Administration at 800-772-1213 to request a replacement SSA-1099.

Q. If I don't have a copy of my Railroad Retirement Verification or Rate Letter, what can I do?

A. Call the RRB Helpline at 800-808-0772 to request a letter or go to www.rrb.gov to get the info online.