

# HOMESTEAD CREDIT

**A BLANK HOMESTEAD CREDIT FORM CAN BE FOUND ON THE WELLS COUNTY WEBSITE, TAX DIRECTOR'S DEPARTMENT, IN THE LINKS COLUMN.**

**\*\*\* Disclaimer\*\*\* Applicants' financial information is confidential. Therefore, the data on questions 4 through 11 on the application cannot be divulged but may be provided to local officials where necessary to perform their official duties.**

## HOMEOWNERS

A homeowner may qualify for a reduction in the taxable value of the homestead credit.

## ELIGIBILITY REQUIREMENTS

### Age

1. The applicant must be 65 years of age or older in the year for which the application for a property tax credit is made, *except* if the applicant is totally and permanently disabled, there is *no* age requirement.
2. In instances where spouses are living together and both parties are 65 years of age or older, only one may apply for the credit. In no instance shall spouses living together both be entitled to a credit.
3. In instances where spouses are living together and only one is 65 years of age or older, the spouse who is 65 years of age or older is eligible to apply for the credit.

### Disability

1. The applicant must be permanently and totally disabled. A person who becomes disabled after February 1 is eligible for the credit for that year.
2. Permanently and totally disabled means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve (12) months. Substantial gainful activity is established annually by the U.S. Social Security Administration and found at [www.ssa.gov](http://www.ssa.gov); search for substantial gainful activity.

3. Proof of permanent and total disability must be established with a certificate from a licensed physician or a written determination of disability from the social security administration or any federal or state agency authorized to certify an individual's disability. A blank copy of the Physician's Certificate can be found on the Wells County Website, Tax Director's Department under 'links'.

## Income

1. Income received by the applicant, plus the income of a spouse and any dependents, for the calendar year preceding the assessment date may not exceed \$42,000 after deductions of eligible medical expenses. Income from *all* sources is considered.
2. Income includes but is not limited to:
  - a. Social Security Benefits
  - b. Pensions, including military pensions and I.R.A.
  - c. Salaries and wages
  - d. Dividends and Interest
  - e. TANF (Temporary Assistance for Needy Families)
  - f. Net gains from the sale of property
  - g. Net rental income
  - h. Net profit from any business, including farming and ranching
  - i. Unemployment compensation benefits
  - j. Alimony
3. Items which are not income for purposes of homestead credit include but are not limited to:
  - a. Life insurance proceeds
  - b. Money received from gifts or inheritance
  - c. Social Security lump sum death payments
  - d. Workers compensation payments, including survivor benefits
  - e. Insurance policy proceeds for illness, injury, or dismemberment
  - f. Insurance poly proceeds for casualty losses to property
  - g. Child Support
  - h. Federal fuel assistance
  - i. Renters refund
  - j. Food Stamps
  - k. VA disability
4. By law, stipends from the following *federal* programs are not considered income:
  - a. Foster Grandparents Program
  - b. Retired Senior Volunteer Program
  - c. Senior Companion Program
  - d. Vista Program

5. Income other than from a particular business cannot be reduced by offsetting against it an operating loss of that business (including a casualty loss incurred by the business). An operating loss of a business cannot be carried over to the next year and deducted from the income of that business in that year.

### **Medical Deductions**

1. Applicants may deduct from the income the amount of medical expenses actually paid by them or by any person dependent upon them and not reimbursed by insurance or other form of compensation. Medical expenses that have been incurred but not paid are not deductible. The term medical expenses has the same meaning as it has for federal income tax purposes. Prescription drugs are deductible but over-the-counter drugs are not deductible.

### **Assets**

1. In addition to age or disability and income requirements, the applicant may not, on the assessment date, have assets in excess of \$500,000 including the market value of the homestead.
2. Assets include anything of value owned by the applicants; for example: real estate, personal property, life insurance death proceeds, cash value of insurance policies, savings accounts, or any assets gifted or otherwise divested within the last 3 years.

### **Additional Requirements**

1. Homestead is defined as contiguous land and improvements not to exceed \$125,000 in value. Lots that are otherwise contiguous (share a common point) will not lose contiguity if separated by a public road or right of way.
2. The applicant must reside on the property for which the credit is claimed and, as of the assessment date, have an interest in the property. Generally, such an interest can best be established by a written record or document, such as a deed, contract for deed, life estate, or declaration of homestead.
3. When a husband and wife hold property in joint tenancy, the eligible applicant is entitled to a full credit. When the property is owned in joint tenancy with person(s) other than the applicant's spouse, the value of the property is to be apportioned on the basis of the number of joint tenants and the credit is calculated from the portion allocated to each eligible applicant.
4. An applicant who is temporarily absent from the homestead is still eligible for the credit if the homestead awaits the applicant's return and is not rented.
5. A legal representative of a qualified homeowner may make applications for the credit on behalf of the owner.
6. If a recipient of the homeowner's property tax credit sells the homestead, the credit is portable and may be applied to the recipient's new homestead.

7. In the event of the applicant's death, all benefits terminate at the end of the taxable year.
8. If there is more than one tax credit having the same priority, the tax credits must be allowed in the order that is most beneficial to the taxpayer. i.e. you may apply for more than one credit such as the disabled veteran's credit AND the homestead credit.

### Approval of the Credit

1. The Property tax credit is given in the form of reduced property tax assessments.
2. The credit applies directly to the taxable value of the homestead. The maximum credit allowed beginning with the 2016 assessment is calculated as follows:

<u>If the applicant's income is between</u>	<u>Taxable Value is Reduced by</u>	<u>Maximum reduction</u>
\$0 - 22,000	100%	5625
\$22,001 - 26,000	80%	4500
\$26,001 - 30,000	60%	3375
\$30,001 - 34,000	40%	2250
\$34,001 - 38,000	20%	1125
\$38,001 - 42,000	10%	563