

PERSONNEL/ADMINISTRATIVE AFFAIRS COMMITTEE

SEPTEMBER 27, 2004

A special meeting of the Personnel/Administrative Affairs Committee was held on Monday, September 27, 2004 at 7:00 p.m. in the Aldermanic Chamber.

Chair James R. Tollner presided.

Members of the Committee present: Alderman-at-Large Steven A. Bolton
 Alderman-at-Large David Rootovich
 Alderman Richard D. LaRose
 Alderman Kevin E. Gage, Vice Chair

Members Not in Attendance:

Also in Attendance: Alderman-at-Large Brian S. McCarthy
 Alderman-at-Large Paula I. Johnson
 Alderman-at-Large David W. Deane
 Alderman Robert A. Dion
 Alderman David D. Lozeau
 Alderman Lori Cardin

COMMUNICATIONS - None

Chairman Tollner

Tonight we are here to talk about a new Ordinance, O-04-44 – Adjusting the provisions of the elderly tax exemption. For the public's information what we will do is...

NEW BUSINESS – ORDINANCES

O-04-44

Endorsers: Mayor Bernard A. Streeter
 Alderman-at-Large Brian S. McCarthy
 Alderman-at-Large Steven A. Bolton
 Alderman Richard LaRose
 Alderman Kevin E. Gage
 Alderman Marc W. Plamondon
 Alderman David D. Lozeau
 Alderman Lori Cardin
 Alderman Rob Shaw

ADJUSTING THE PROVISIONS OF THE ELDERLY PROPERTY TAX EXEMPTION
MOTION BY ALDERMAN BOLTON TO RECOMMEND FINAL PASSAGE OF O-04-44

ON THE QUESTION

Chairman Tollner

Is there anybody in the audience that would like to speak on the legislation? Maureen would you like to say anything before we take public testimony or would you like the testimony be given and we can response afterwards?

We will take public testimony. After this meeting there is also a Budget Committee meeting.

Alderman Bolton

Mr. Chairman, the Budget Committee will deal with all aspects of the legislation.

Chairman Tollner

Are there any comments from the public? When you come up if you just state your name and address for the record.

Alderman Dion

I thought I heard within the past week that there was supposed to be an amendment to this ordinance. I head that someone was going to make an amendment to it.

Alderman Tollner

Are you referring to the memo that Mayor Streeter sent to Alderman McCarthy that they inadvertently omitted the inclusion of the adjustment to the tax credit for the disabled? Yes we will be working on that tonight.

Roger Brodeur, 79 Monroe Street

I guess what I would like to say is that I am obviously in support of including the disability exemption to be increased along with the elderly mostly because well it is obvious an exemption would be great, but my assessment went from along with many other people in the city from \$145,000 to \$222,000. The assessment itself was over a 50% increase, but my tax increase would be roughly 67%. On Social Security that is just not something that I am able to do. I spoke to Maureen Lemieux last week and I think she mentioned that the exemption probably would be raised to roughly around \$100,000 for the elderly is that correct?

Chairman Tollner

Yes that is correct.

Roger Brodeur

If that were to be the same for anyone on Social Security Disability even if that my tax increase would still be at about 34% just for this year, which would end up being roughly \$50 a month extra just on my tax bill. I guess all I can say is I am here in support for whatever you can do include that. If it has already been approved or spoken of to be – I think I heard Alderman Bolton say that I am not sure how this all works – I thought you said something that you wanted to – I am not sure how you said it – final passage – I didn't know what was included in it.

Chairman Tollner

We will amend the legislation tonight and then pass it in committee, and then Alderman Bolton's committee will also take up the legislation a little bit later, and then that legislation will go to the full Board of Aldermen for a vote. When that full vote is taken then the legislation will be enacted provided that the Mayor doesn't veto it, which that is not his intention at this time.

Roger Brodeur

Okay.

Alderman Bolton

I believe you Mr. Chairman made a mis-statement when you restated my motion. My motion was to recommend passage. You mentioned final passage. Obviously as you know the committee does not final pass anything it is the full Board of Aldermen that final passes anything. My intention is to move to amend the legislation in accordance with what we have been discussing concerning the tax credit for the disabled. When we get to the appropriate point in time that has been my intention right along.

Chairman Tollner

Any additional comment from the public? There was a gentleman that was here earlier this evening and had a question. It was a very good question, and we had an opportunity to respond to his question. That was those individuals that have a 401K or annuity are penalized somewhat versus those individuals that might be working with a pension. We as a Board of Aldermen for the City of Nashua cannot do anything from a legislative perspective to change that. That needs to be handled by the State Legislators. What we did say to that gentleman tonight is that I will ask members of the Board of Aldermen if they would be willing to send a letter to the state delegation and the State Legislature asking them to look into that and change that because years back most companies had pensions. Over the last 10-15 years most companies have either bought out the pension or changed to a 401K. Because the State doesn't recognize those it makes it difficult and people are somewhat penalized from a financial perspective in that case. What we will do is we will draft a letter and any member of the Board of Aldermen who so chooses can sign that letter and ask the

State Legislature to work on that and change that.

Alderman McCarthy

I would actually be happy to draft one and have it for tomorrow evening's Board of Aldermen meeting. It might be more forceful if in fact we drafted a resolution and passed it from the Board requesting that such communication be sent.

Chairman Tollner

That is a very good point.

Alderman McCarthy

I will do that as well.

Alderman Deane

Thank you. I have a question for Mrs. Lemieux if she is available. I have a question on the qualifying section. If you go down the net assets not in excess of \$100,000 excluding the value of the person's residence – I want to know if historically you have received applications that people have brought in and they were denied due to the fact that their net assets exceeded the \$100,000 – how many people might fall in that category?

Maureen Lemieux

I could not quantify that for you Alderman Deane, but I can tell you that happens quite frequently that there are many, many of our senior citizens are earning less than \$36,000 – that is total income that includes the Social Security – it is gross income – it is all of your income. There are many of them who have more than \$100,000 in assets. I would think it is a very large portion of our elderly population would not qualify because of the asset limitation.

Alderman Deane

The assets include cash, automobiles, and ...

Maureen Lemieux

Boats – everything but your house.

Alderman Deane

How I look at it – if you go back a few years in having cared for my father in law for 6 years back in the day when the pensions were around or whatever – before the pensions really started the people back then would put their money in the bank and that is what they did and how they saved their money. If you look at some of the sub-contracting work I do – if you work for some of the elderly

they pay you the cash because they have taken this money – they own their homes and they have taken this money and set this money aside to pay for the upkeep and maintenance of their homes. Now with what has transpired and with the increase of the dollar I think that \$100,000 amount should be raised. If we look at this correctly this is going to add as stated \$.07 to the tax rate. In doing a little math – the average home is \$200,000 that would add about \$14 to each person's tax bill for those who qualify. You had how many...

Maureen Lemieux

Nine hundred eighty nine I believe.

Alderman Deane

Without the assessment done in the last 4 years and the increase in market value and the assessed values on the properties now as this gentleman had just stated, his tax bill has gone up considerably. If you look at the amount of the assessed value and what his tax bill has gone up compared to the Social Security that hasn't gone up at the same rate, you now have these people peeling back their savings just to stay in their homes. I think what it will end up doing if this figure isn't adjusted accordingly it will push a lot of people out of their homes because they are not going to be able to afford to stay in them. I would ask someone – my interest would be to put that – I don't know when the last time that figure was amended – would anyone know that?

Maureen Lemieux

Two years ago.

Alderman Deane

From \$80,000 to \$100,000?

Maureen Lemieux

From \$75,000 to \$100,000 I believe.

Alderman McCarthy

It was just last year that we amended it.

Alderman Deane

From \$75,000 to \$100,000 last year. Personally I think that number should be moved up. If you look at the increased cost of living, the lack of increases in the Social Security and the Medicaid and the cost of drugs and the life savings that these people have put away – they are starting to take their life savings basically that they try to hold onto to maintain their properties and they are starting to compensate for the increases in everything. I think you will slowly but surely find that it will end up pushing people out of their homes. Some of them that I have talked to have prepared themselves for nursing care and they feel that between their house and their money they want to be able to go in

and pay before Medicaid or whomever takes over those payments. People are proud. I talked to a woman this evening and I was kind of floored when she told me that. I want to pay my fair share, I want to pay my way, but this is pushing me out of my home. I think there are a lot of elderly in the community that will fall under these – with this issue. I would like to see that number increased even if we brought it up to say \$150,000 or \$175,000 – I don't know what percentage was used to go from the \$75,000 to the \$100,000. Do you have some history on how that number was derived?

Maureen Lemieux

I don't know that we used a percentage. I think it was Alderman McCarthy that initially introduced the legislation to increase it. The only thing I would say because it certainly is up to this Board whatever that limitation is. That you do have total control over, not the 401K piece, but deciding the total asset limitation is certainly done here at the city level. My only caution would be we have no idea how many people qualify between the \$100,000 and \$125,000 or between \$100,000 and \$150,000 and whatever is done here by this Board moves that tax burden to the rest of the population. I don't know what the number should be. It is very difficult to find whatever the most appropriate balance would be. I am not saying it shouldn't ever be raised, but I don't know what that number is and all we are doing is moving that tax burden.

Alderman Deane

What was the change when it went from \$75,000 to \$100,000 – how much of an increase was there in people that were eligible at that point?

Maureen Lemieux

I don't think it was that significant.

Chairman Tollner

I thought it was either 175 or 375 – I know that is a considerable difference, but I .. I don't remember.

Alderman McCarthy

I don't remember the numbers on how many more were eligible, but I want to make some comments – where we got the number from was we looked at what adjustments had been made in the surrounding communities recently and about the same time there was a question that went out on the NH local government information network as to what communities had. We gathered some data from there and picked numbers that were similar to what surrounding communities had done. That is probably not the appropriate way to make this adjustment given our changes in the assessments and the fact that we have a fairly special situation in Nashua for this particular year. I suspect that we can't without doing it get good information on what the impact is for a couple of reasons; one we don't get to turn people down on that because they just don't apply when they see the number and know that they are above it. We're not seeing applications for the ones who aren't qualified to get it.

I wouldn't have expected that the change from \$75,000 to \$100,000 would have gotten us a lot of

new applications because if you are making in that range of income, but it is garnered from a 401K it has more than \$100,000 in it so that anyone for whom that was the problem it is probably still the problem. I don't think we have ever actually addressed that. We could ultimately the problem is that we need to get the State Legislature to change it so that interest and dividend bearing investments don't – where you are counting the income as part of the income test don't count as part of the assets test. What we are trying to sort out is the guy who has a small pension and a huge boat. I am not sure how many of those there actually even are so if we just up the assets by a large amount we might not do ourselves any more damage than if we fix that. I agree with you that we need to make a substantial change I think to that assets test in order to address the 401K versus pension issue.

Alderman Rootovich

I was just going to ask is that data available where you could get some assessment of how many more people would be in the \$150,000 category?

Maureen Lemieux

We absolutely have no idea. What I can get and I could send you all an e-mail tomorrow is how many more people did qualify when we raised it to \$100,000, but to go above that we absolutely have no idea.

Chairman Tollner

Maybe what we can do is look at the seniors ...

Alderman Rootovich

What would be the initial dollars if we were, in your opinion, I guess on the tax rate if it would go to \$50,000, \$75,000 to \$200,000 based on the same proportion of people that went from \$75,000 to \$100,000 what would you say – you say what \$14 for every \$25,000?

Maureen Lemieux

There are 989 now. If this legislation passes – this is how I can explain it I think – if this legislation passes this would take \$25 million of the new assessment off the tax rolls. Currently these 989 people before we did the update the property was valued at about \$100 million. We already have \$100 million off the tax rolls. This would take another \$25 million off. It would be \$125 million for virtually 1,000 people. If another thousand people qualified we would be taking another \$125 million off the tax rolls. That is probably the only way that I can begin to give you some idea of the magnitude of what we are talking about.

Alderman Johnson

I received an e-mail from a constituent, and I didn't get a chance to call her – I have my internet service has been crashing on me so I can't really get on e-mail right now. I believe she was talking

about Hudson and Merrimack system and how they figure out the exempt for their seniors. I need to find that out and I think we really need to go back and take a look at surrounding communities again and see what they are doing because Hudson and Merrimack just got a hefty tax increase so I am sure they are facing the same issues that we are facing here in Nashua.

This came down two weeks ago right before we went and listened to the Board of Assessors' speech on what was going to happen in the city. This is trying to be the cure all for what has happened in the city. What has happened in the city is that we should have done the assessments four years ago and people could have taken a small bite versus a large chunk here. The other issue is that the taxes have gone up; 5% this year, and if we did not put money down on that tax rate this year we would have looked at least at 10% plus this. This is just a small little band-aid on the dike of what is to come. I would like to know if this passes now what is next year going to be. What is the forecast for next year? This is just the beginning. We need to know how is this going to start affecting us down the line. This isn't just a one time exemption this is an exemption for next year and the year after – given the fact of how our spending practices have been we need to get an idea because I think next year is going to be worse than this year.

Chairman Tollner

We dealt with that the last time that we increased the exemption. Any change that we make will be permanent and reflected against any future budgets.

Alderman Johnson

I understand that, but I think we kind of need to get an idea as we are going along.

Alderman Bolton

I think what not everyone is grasping actually is all this legislation does is essentially keep things the way they are because this increases the amount that is exempt by roughly the amount that people's assessment is going to go up. If we do not do this those people who in the past have qualified for an exemption will find that exemption does not translate into the same amount of savings that it did in the past. This legislation does not try and cure all of the problems of the elderly or all of the problems of the city. This legislation tries to pretty much preserve the status quo so that people currently qualifying for an exemption will still qualify for an exemption and that exemption will be worth approximately the same amount of money. I think it is almost – you don't have to think long and hard before you realize that is fair and ought to be done. It ought to be done in time that no one has to lose out on the tax bill that will reach us in several weeks from now.

If there is a desire to take a long and detailed and comprehensive look at this, and I think there may well be a desire and I think that ought to be done – I don't think we can do that in time to affect the tax bill that we will be seeing in just another month and a half. We ought to be seeing it in more like a month, but we won't we will see it in more like a month and a half. We ought to pass this and then work on the bigger problem because if we don't pass this at our next Board of Aldermen meeting the population that has qualified for this in the past will be disproportionately hard hit. I don't think anyone wants that. I don't think there was ever an intent that population who is among the most

deserving of whatever break there is ought to be inadvertently particularly hard hit. This saves that problem. But it doesn't cure any other problems. I don't think we ought to be pretending that it is even trying to cure any other problems.

Alderman Lozeau

My statement was what Alderman Bolton said. I don't think we have a whole lot of time to debate this before it is too late to affect December's tax bill. Thank you.

Chairman Rootovich

Just for the public's information I don't think there is any doubt that the committee's intent tonight is to pass it so we can take it up at tomorrow night's meeting.

Alderman McCarthy

I may be wrong, but I believe that the adjustments to the exemptions are only made on a tax year basis and they don't take affect until April. Even if we were to pass this now I don't think it impacts the December bill. Is that correct?

Maureen Lemieux

Actually it will impact the December bill, which is why we need it passed or decided by tomorrow night. There was actually legislation that was passed two years ago I believe it was in Concord that dealt with a lot of these exemptions, and they actually added a sentence at the end of it that said that any legislation such as this would be affective the following April 1st. Last year they corrected that. We did research that and we are able to move forward and do this now and have it impact this year's bill.

Alderman McCarthy

So that has changed recently.

Maureen Lemieux

Yes.

Chairman Tollner

I think the last time we did it we thought that there was a rush, but it wouldn't affect – under those circumstances.

Alderman Dion

I agree with what Alderman Lozeau and Alderman Bolton said that it is imperative that we pass this legislation as soon as possible so that it can reflect on the tax bill in December. I want to just go

over what Alderman Deane brought up. I think he is absolutely right. You know a nursing home stay we all know it is no secret that they wipe you out. We all know what a sickness can do. I tip my hat to the hard working men and women who worked all their lives that were able to save \$150,000 or \$200,000 – let me tell you something I have to tip my hat to them because that is better fiscal responsibility than we do in the City of Nashua. We don't save any money in the City of Nashua so why should we penalize these people that were able to save money and run their budget? I agree with Alderman Deane that this certainly this tax exemption limit should be brought up. Of course this is not the time to do it right now, but I am sure that we will have time to do it later.

Chairman Tollner

Are there any other comments?

Unidentified Speaker

Is this a public hearing?

Chairman Tollner

We were taking questions earlier Mr. Teeboom. I will allow Alderman Deane to comment, and if you have some final comments before we take out motion on the legislation I will allow it.

Alderman Deane

I still look at the \$100,000 and I think that should be amended. I think there are more people that will suffer from this assessment than we know.

Alderman McCarthy

I would tend to agree. I think that there is – I think if we were to make an adjustment to it we would make a substantial one, and I don't see that we can't pick something reasonable substantial now to get in place – let's for the sake of argument say that we doubled it to \$200,000. I can't see that after any lengthy study we would determine that the number that we really wanted was less than that.

Chairman Tollner

My only concern with that would be if you have 900 participants right now and were able to comprehend how much that means and affects the tax rate for the city you double that. Is it safe to assume it will go from 937 participants to 1,500 or 2,000 participants? I would like to know what that means. I think I need to know what the numerator is on the denominator. I agree that we should change it. If you change it to \$200,000 you are doubling the ceiling. I personally don't know and I don't think anyone in the room knows what affect that would have on the overall tax rate.

Maureen Lemieux

First of all we absolutely have no idea, but the point that I want to make is there is no – I don't

believe there is any point in you changing this number this evening because the deadline has already passed for those who qualify so by changing it they would have had to have applied by August 1st. By changing the asset limitation this evening I don't think benefits anybody. However, beginning January 1st people will have – next year we are changing the date of the application. People will have to have applied by April 15th next year so in the next couple of months if you as a Board want to try to figure out what this asset number should be we would have that couple of months and then people would be able to apply for next year's exemption between January and April 15th and have that new number. Changing this tonight isn't going to help anybody this year.

Alderman Deane

I am doing the math like this – if you have 989 people that applied and received this exemption and it is adding \$.07 of disbursement if you double that it would add \$.14.

Alderman McCarthy

It doesn't work that way. The \$.07 is just the additional impact by changing the exempted amount of property. If you doubled it, it would be the \$250 million impact not the \$25 million impact that this legislation contemplates.

Alderman Deane

What would the impact be Maureen if that number doubled?

Maureen Lemieux

I would think it would be an additional \$.35 would be a quick calculation.

Alderman Shaw

It sounds like as much as we might like to increase that again as Mrs. Lemieux pointed out we will not be able to take any benefit from that. It might more than double – it could go up 4 or 5 times in terms of those that would be eligible. I realize that one concern it sounds like we are going to have is no matter what it will be very hard to have a good estimate of what it will be even with any sort of intensive study. I think we certainly it appears have some time to try to do some best review of the overall impact.

MOTION BY ALDERMAN BOLTON TO AMEND O-04-44 IN THE TITLE AND BODY AS FOLLOWS: IN THE TITLE BY ADDING THE WORDS “AND THE TAX CREDIT FOR THE DISABLED” AND IN THE BODY BY ADDING THE WORDS “FURTHER RESOLVED BY THE BOARD OF ALDERMEN OF THE CITY OF NASHUA THAT CHAPTER 2 “ADMINISTRATION”, ARTICLE X “TAXATION AND FINANCE”, DIVISION 1 “GENERALLY”, SECTION 2-742 “TAX CREDIT FOR THE DISABLED” BE AMENDED BY DELETING THE WORDS “SEVENTY THOUSAND DOLLARS (\$70,000)” AND SUBSTITUTING THEREFORE THE WORDS “ONE HUNDRED THOUSAND DOLLARS (\$100,000)”

ON THE QUESTION

Alderman Rootovich

I apologize I had a couple of calls late before I came here – I guess somebody had called today – the veteran's tax credit doesn't affect this at all correct?

Alderman McCarthy

No.

Alderman Rootovich

Thank you.

Chairman Tollner

Any discussion on the amendment? Does everybody understand what it is and means?

MOTION CARRIED

Fred Teeboom

I am now an elderly myself. I just recently retired, and I live on fixed income. This is of concern. I am trying to clear up some confusion. The income I am told is total income \$36,000 is that the same as the AGI number on your 1040?

Maureen Lemieux

No. Absolutely not. This is your total income from all sources and there are three items that do not count, and I forget what they are, but they are minor things. One is if you received a life insurance payment that does not count towards your income and there are two other things like that. This is your gross income so this is your Social Security, and Social Security for many people is not included in their adjusted gross, but is definitely included in this calculation.

Fred Teeboom

One hundred percent?

Maureen Lemieux

Yes.

Fred Teeboom

It is not the AGI it is a lot more. So if someone thinks the \$36,000 is limited on the AGI may be sadly

mistaken – he may not qualify at all. There is no Social Security tax – only maximum of 85% and for many people it is 50% and for many people it is not taxed at all.

Maureen Lemieux

Exactly.

Fred Teeboom

The other question I have is the assets. I am very confused on that. A lot of people live on annuities. I live on an annuity now. Annuity is a value. You can calculate what the value is. You can call the company and say what is my annuity worth and they can tell you it is X. For a small amount of money it has to add up to many hundreds of thousands of dollars. Is the annuity calculated back to what it is to count for this \$100,000?

Chairman Tollner

Mr. Teeboom we discussed the annuity, the 401K statement earlier. This Board of Aldermen is going to send a letter to the State Legislature asking them to change the formula. A gentleman that was here earlier tonight prior to the start of the meeting had concerns of someone who was on a pension versus someone that has an annuity or 401K. They are treated differently under this scenario. We have discussed that already and someone who has an annuity or 401K is penalized considerably under this arrangement where someone that had a pension is not and probably could enjoy the exemption under this arrangement.

Fred Teeboom

Do you go back and calculate the value of your annuity to come up with this \$100,000 limit?

Maureen Lemieux

To be honest I am not quite sure exactly how the calculation runs, but the value of your annuity would certainly be included in determining what your asset level is. That is by State law. The city cannot change that, which is what Alderman Tollner was alluding to.

Fred Teeboom

If somebody fills out a form and doesn't include that amount either because he doesn't know it because like you say the pension thing is not counted, annuity is counted, how is this thing checked? How does the city check this figure that is declared on that green card that says assets not counting my house are less than \$100,000 – how is it checked.

Maureen Lemieux

There are always – I would never pretend to say that there couldn't be people who could deceive us. There is always that possibility. We research all of these applications, and to be honest every year we probably find a couple of people who have either deceived us or who have a second home

up in Maine and didn't bother to tell us. We take copies of people's federal tax returns and so if they have an income on the annuity line of their 1040 we make sure that we get the information and we understand what that annuity is. Can people deceive us of course they can.

Fred Teeboom

If you see it on the annuity line – you can go back and ask them to clarify and tell you what the actual value is and go back to the insurance company?

Maureen Lemieux

Yes.

Fred Teeboom

Finally, my general comments is like Paula says it is shifting the deck chairs in the Titanic. All you are doing is shifting the load back and forth. You haven't lowered the tax requirement so all you do is make it quite a bite easier on the elderly - \$30,000 computes to \$6 on the dollar exemption simple as that. Yes you are making it somewhat easier on the elderly. They get \$4,500 tax bill and you take \$600 off that tax bill. They still have to pay nearly \$4,000. Others will have to pay more. I don't know \$.17 or whatever that factual number is, but you are shifting the decks on the Titanic. The problem is the spending in the city. Spending in the city is the problem.

Chairman Tollner

I need to stop you right here. We are not going to go down the road tonight talking about the budget and the spending in the city. That was discussed at length the other night. What we are talking about right now is this particular piece of legislation and that is what we want to focus on.

Fred Teeboom

Well if it weren't for the spending you wouldn't be discussing this legislation.

Chairman Tollner

Thank you.

Alderman Bolton

I think I would want to discuss this legislation regardless of what the level of the budget were. The elderly would be no less deserving of correcting the burden that will fall on them unnecessarily. This legislation is important irregardless of the last speaker's opinion.

Chairman Tollner

Are there any further comments?

MOTION CARRIED

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DISCUSSION

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ADJOURNMENT

MOTION BY ALDERMAN ROOTOVICH TO ADJOURN

MOTION CARRIED

The meeting was declared closed at 7:42 p.m.

Alderman Richard D. LaRose
Committee Clerk