

The Circuit Breaker Tax Credit For 2005

Real Estate Tax Credit for Certain Persons Age 65 and Older

For tax years beginning on or after January 1, 2001, an owner or renter of a principal residence located in Massachusetts who is age 65 or older, at the close of the taxable year, may be eligible to claim a refundable credit against personal income taxes. Also known as the "circuit breaker credit," this credit is based upon the actual real estate taxes or rent paid by a taxpayer eligible to claim the credit.

Renters and Homeowners Can Both Benefit

For Renters any Massachusetts taxpayer age 65 or older who rents his or her principal residence is eligible for the circuit breaker credit if the following conditions are met:

1. The taxpayer pays rent on property in Massachusetts during the taxable year or for a portion of the taxable year.
2. The taxpayer lives in housing for which the landlord was required to pay real estate taxes for the taxable year and for which the taxpayer does not receive a federal or state rent subsidy.
3. For the tax year 2005, the taxpayer's "total income" does not exceed \$45,000 for a single individual, \$56,000 for a head of household, and \$67,000 for a husband and wife filing a joint return.
4. Married taxpayers must file a joint return. No credit will be allowed for a married individual unless a joint return is filed.
5. The taxpayer is not claimed as a dependent on another taxpayer's federal or state personal income tax return.

For homeowners any Massachusetts taxpayer age 65 or older who owns his or her principal residence is eligible for the circuit breaker credit if the following conditions are met:

1. The taxpayer must own residential property in Massachusetts and occupy the property as his or her principal residence. Each non-spouse co-owner may claim the credit proportionate to the amount of total real estate tax payments made by each co-owner. A credit is not allowed on more than one residence during the same time period, except in the case where a taxpayer has changed his or her principal residence during the tax year.

2. The taxpayer pays real estate taxes. Taxes paid pursuant to the Community Preservation Act, the Cape Cod Open Space Land Acquisition Program or paid to a tax-levying district are included in the computation of real estate taxes paid.

3. For the tax year 2005, the taxpayer's "total income" does not exceed \$45,000 for a single individual, \$56,000 for a head of household, and \$67,000 for a husband and wife filing a joint return.

4. Married taxpayers must file a joint return. No credit will be allowed for a married individual unless a joint return is filed.

5. The taxpayer is not claimed as a dependent on another taxpayer's federal or state personal income tax return.

Calculating the Credit

Renters

The credit is equal to the amount by which 25% of the rent actually paid by the taxpayer during the taxable year for the occupancy of the principal residence exceeds 10% of the taxpayer's total income for the taxable year, provided that such amount does not exceed the maximum credit amount. For tax year 2005, the maximum credit amount is \$840.

Homeowners

The credit is equal to the amount by which the taxpayer's property tax payments in the current tax year, including 50% water and sewer use charges paid to a municipality, but excluding any abatement or exemption granted, exceeds 10% of the taxpayer's total income, for the taxable year, provided that such amount does not exceed the maximum credit amount. For tax year 2005, the maximum credit amount is \$840.

More Good News!

This tax credit is what is called a Refundable Credit. Basically if the credit exceeds your tax liability, you get refunded the difference!

Therefore, any person entitled to claim the circuit breaker credit, but not otherwise required to file a personal income tax return may file a return and claim a refund!

For more information regarding your personal income tax and how these credits and deductions may benefit you, give AJE Financial Services a call today!