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The Property Tax Postponement Program

PRESENTED TO:

The Select Committee on Social Determinants of Children's Well-Being
Hon. Holly J. Mitchell, Chair

LEGISLATIVE ANALYST'S OFFICE

California's Property Tax Postponement Program

Paying Property Taxes in California. Housing costs are much higher than the national average, but because Proposition 13 (1978) limits property tax growth after a home is purchased, property taxes paid in California are only somewhat higher than the national average.

Property Tax Postponement (PTP). The state offers PTP to help certain homeowners afford their property taxes and stay in their homes. Homeowners qualify for PTP if they are: (1) over the age of 62, blind, or disabled; (2) have household incomes less than $35,500; and (3) own at least 40 percent equity in their home.

Evaluation of the Property Tax Postponement Program

Eligibility	Income eligibility does not vary by household size, inflation, and/or geography. Younger homeowners also could benefit from property tax postponement (PTP).
Participation	Participation in PTP is very low (around 1,000 participants in the most recent year).
Affordability	The PTP interest rate is 7 percent. Although PTP is less costly for homeowners than reverse mortgages, the interest rate is too high for the program's currently eligible population.
Budgetary	PTP does not carry a cost to taxpayers. In fact, PTP provides a General Fund benefit—meaning low-income participants are effectively subsidizing the General Fund.
Administrative	The administrative cost of PTP (around $500 per participant) is high compared to the average postponement amount ($3,200 per participant).

Alternatives to Change to PTP

Maintain Current Eligibility

- ***Interest Rate.*** Likely could reduce to 4 percent or 5 percent.
- ***General Fund Support.*** Eliminate General Fund sweep.

Increase Income Eligibility Threshold

- ***Interest Rate.*** Likely could reduce to 4 percent or 5 percent.
- ***General Fund Support.*** Eliminate General Fund sweep and repay swept funds. May require one-time General Fund transfer of tens of millions of dollars.

Allow Younger Homeowners to Participate

- ***Interest Rate.*** Keep same or reduce slightly (say, to 6 percent).
- ***Possible Additional Risk to the State.*** Younger homeowners could defer longer, possibly increasing the risk of nonpayment.
- ***Options to Limit State Risk.*** Limit total outstanding principal to held equity, limit the number of years a homeowner can make new deferments, consider using a higher interest rate for homeowners who defer for longer.
- ***General Fund Support.*** Eliminate General Fund sweep, repay swept funds, and provide a one-time General Fund transfer (tens of millions or one hundred million dollars).

Both

- ***Interest Rate.*** Keep same or reduce slightly (say, to 6 percent).
- ***Other Ways to Limit State Risk.*** Same as above.
- ***General Fund Support.*** Same as above.