

Modify Homestead Circuit Breaker

What is the goal of this health note?

Decisions made in sectors outside of public health and health care, such as in education, housing and employment, can affect health and well-being. Health notes are intended to provide objective, nonpartisan information to help legislators understand the connections between these various sectors and health. This document provides summaries of evidence analyzed by the North Carolina Budget & Tax Center (BTC) while creating a health note for North Carolina House Bill 692. Health notes are not intended to make definitive or causal predictions about how a proposed bill will affect the health and well-being of constituents. Rather, legislators can use a health note as one additional source of information to consider during policy-making. The analysis does not consider the fiscal impacts of the bill.

How and why was this bill selected?

This bill was identified as one of several important policy issues being considered by the North Carolina General Assembly in 2019 and as the most prominent policy proposal on the issue of property tax relief for homeowners. The health note screening criteria were used to confirm the bill was appropriate for analysis. (See Methodology Appendix on Page 4.) The North Carolina Budget & Tax Center's focus areas for health notes include housing, education, and employment. The BTC selected House Bill 692 for analysis because of its potential to affect opportunities to age in place, reduce community harm from foreclosures or displacement, stabilize neighborhoods, and improve the well-being of current residents.

Research has consistently demonstrated a strong link between housing and health outcomes.¹ The specific pathway connecting housing affordability to health outcomes for older adults did not result in a significant body of literature suggesting it is less researched. However, given the evidence for all people that financial strain and housing uncertainty break connections to neighborhoods, social networks and health-promoting behaviors

¹ "Housing And Health: An Overview Of The Literature," Health Affairs Health Policy Brief, June 7, 2018. DOI: 10.1377/hpb20180313.396577

Bill Authors

**Representative Alexander (Primary);
Harrison**

Bill Provisions Examined

- **Changes income standard used to determine eligibility to median family income from flat rate adjusted by COLA each year since 2008.**
- **Changes minimum eligible age from 65 to 67.**
- **Changes maximum allowable income from 150 percent to 200 percent of the income eligibility standard.**
- **Changes eligibility based on duration of ownership and occupancy with higher income households having to own and occupy house for longer.**
- **Changes tax benefits to be an exclusion of a higher percent of income for higher income homeowners.**
- **Eliminates the requirement to pay deferred taxes upon death or sale.**

Health Note Analysts

Alexandra Forter Sirota, Director, Budget & Tax Center, and Leila Pedersen, Public Policy Analyst, Budget & Tax Center

and services, there are mechanisms by which unaffordable housing generates greater risks of mental health issues, disruptions in health care and lower levels of physical health.²

Summary of health note findings

This review found that the health impacts of property tax relief in general and specifically for older adults is not well researched, but some evidence finds that housing affordability improves well-being outcomes for older people. Older people are defined as people aged 65 years and older unless otherwise specified. Below is a summary of the key findings of this health note:

- **There is some evidence that property tax burden impacts housing affordability.** By increasing the share of a fixed income dedicated to housing, research shows that older people can experience increased stress and face difficulty affording medical treatments and staying in their home. Insofar as property tax changes affect the amount of fixed retirement income for a homeowner, they can affect the affordability of housing and lead to health impacts.
- **There is some evidence that property tax burden impacts aging in place.** One study found that a 10 percent increase in property tax was associated with a 4 percent increase in likelihood that adults ages 61 to 70 would move out of their homes.³ Older studies support this finding by pointing to higher user costs leading to higher mobility away from homeownership.⁴ Sabia notes previously published studies that have found a consistent connection between income and homeownership with higher incomes negatively associated with mobility.⁵
- **There is mixed evidence that property tax relief affects older homeowners' financial and physical well-being.** Researchers studying the impact of property tax relief have found that the value of that relief is fully capitalized into home values, bolstering the economic well-being of current homeowners. Additional research has found that the presence of property tax relief increases homeownership rates among older North Carolinians.

² Ibid

³ Sabia, Joseph, January 2008. There's No Place Like Home: A Hazard Model Analysis of Aging in Place Among Older Homeowners in the PSID. *Research on Aging*, Volume 30, Number 1, pages 3-35.

⁴ Wasi and White (2005) and O'Bryant and Wolf (1983)

⁵ Feinstein and McFadden 1989; Merrill 1984; Reschovsky 1990

Why do these findings matter for North Carolina?

North Carolina's population of people over 65 is growing. In 2010, 13 percent of North Carolinians were 65 and older. By 2035, estimates find that one in five North Carolinians will be aged 65 or older.⁶ In addition, the state's older population is increasingly diverse by race and ethnicity.⁷

The rate of housing cost burden — or the percentage of households that spend 30 percent or more of their income on housing costs — is a common way to assess housing affordability in a jurisdiction. In North Carolina, 21 percent of homeowners are housing-cost burdened, and 24 percent of homeowners over the age of 65 are housing-cost burdened.⁸ Researchers have found that homeowners 65 years and older tend to face a higher property tax burden than younger homeowners.⁹

Researchers analyzing property tax burden in other states have found that older adults paid an average property tax rate that was 10 percent higher than younger homeowners, a finding that they suggest is due to fixed incomes and the lack of resources to move to more affordable housing.¹⁰

⁶ Tippet, Rebecca, May 2015. NC in Focus: Population 65 and over" 2010 to 2035. UNC Center for Demography, accessed at: <https://www.ncdemography.org/2015/05/14/nc-in-focus-population-proportion-65-and-older-2010-2035/>

⁷ Tippet, Rebecca, June 28, 2017. NC in Focus: Fast Growing Older Population is also Growing Diverse. UNC Center for Demography, accessed at: <https://www.ncdemography.org/2017/06/28/nc-in-focus-fast-growing-older-population-also-growing-more-diverse/>

⁸ American Community Survey, 2018.

⁹ Reschovsky, Andrew. Do the Older Face High Property Tax Burdens? Washington, DC: AARP, May 1994.

¹⁰ Beal-Hodges, Mary, Mary O. Borg, and Harriet A. Stranahan. Second Quarter 2016. A Re-Examination of the Property Tax Burden. *Journal of Business and Economics Research*, Volume 14, Number 2, pages 51-60.

What are the potential effects of access and adequacy of property tax relief for older North Carolinians?

Effects on housing affordability and aging in place

- Lipman found that people who are housing cost burdened have fewer dollars to spend on food, health care and other needs.¹¹
- Engelhardt found that higher Social Security income leads to higher levels of homeownership among this population by looking over time at the way in which real Social Security income benefits have increased.¹² Engelhardt, Gruber and Perry also find that a reduction by 10 percent in Social Security income would lead to a reduction in the number of seniors living independently by 600,000.¹³
- Martin and Beck found evidence that rising property values lead to rising property taxes and directly displace long-term homeowners.¹⁴
- Sabia found that a 10 percent increase in property taxes led to a 4 percent greater likelihood that homeowners aged 61 to 70 would move.¹⁵

Effects on labor supply

- Zhao and Burge found that housing wealth leads to a greater likelihood that older adults leave the labor force, while higher property taxes induce older adults to delay retirement.¹⁶ There are mixed findings on the health impacts of working later in life.¹⁷

What are the potential health effects of property tax relief for older North Carolinians?

Effects on social-emotional well-being

- Researchers have identified the psychological meaning of a home for older people as significant to their social-emotional well-being and the subsequent costs to well-being that come from moving.¹⁸

11 Lipman B. *New Century Housing: Volume 5, Issue 2*. Washington, DC: Center for Housing Policy; 2005. *Something's Gotta Give: Working Families and the Cost of Housing*.

12 Engelhardt, Gary V. *Social security and elderly homeownership*. *Journal of Urban Economics*, 63 (2008)

13 Engelhardt, Gary V, Jonathan Gruber and Cynthia D. Perry, Spring 2005. *Social Security and Elderly Living Arrangements: Evidence from the Social Security Notch*. *The Journal of Human Resources*.

14 Martin, Isaac Williams and Kevin Beck,

15 Sabia, January 2008.

16 Zhao, Lingxiao and Gregory Burge, *Housing Wealth, Property Taxes and Labor Supply among the Elderly*. *Journal of Labor Economics*, 2017, Volume 35, Number 1.

17 Wickrama, K. K., O'Neal, C. W., Kwag, K. H., & Lee, T. K. (2013). Is working later in life good or bad for health? An investigation of multiple health outcomes. *The journals of gerontology. Series B, Psychological sciences and social sciences*, 68(5), 807–815. doi:10.1093/geronb/gbt069, accessed at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3744046/>

18 Lewin, 2001

Effects on healthy eating and physical health

- Researchers have found that areas with higher property values tend to have higher rankings on the Healthy Eating Index, a measure of diet quality. Insofar as property tax relief allows low-income seniors to remain in neighborhoods with these benefits, it may result in benefits from healthier eating such as lower obesity rates, better outcomes for people with chronic conditions and lower disparities in health outcomes.¹⁹

Which populations are most likely to be affected by this bill?

The bill aims to target property tax relief to North Carolinians 65 years or older and people with disabilities (the latter group was not the subject of this health note). Older North Carolinians represent 16 percent of the state's population, according to the 2018 American Community Survey, and are increasingly diverse. Since 2010, the fastest growing racial or ethnic group aged 65 and older was North Carolinians identifying as Asian and multiracial, while Black and Latinx older North Carolinians grew by 7 and 17 percent, compared to the 3 percent growth of the older white population.²⁰

Notably, researchers have found that households are increasingly multigenerational, which means that in addition to older people, property tax relief has the potential to benefit working-age people as well as young children.²¹ As the homes where multigenerational families reside remain affordable and stable for the entire households, working families living with older homeowners would benefit.

Finally, researchers have found that those facing challenges to aging in place and accessing its health benefits are primarily homeowners who spend more than 30 percent of their income on housing and Black homeowners.²²

How large might the impact be?

Where possible, the North Carolina Budget & Tax Center describes how large the impact may be based on the bill language and literature, such as describing the size, extent and population distribution of an effect. Given the numbers of housing cost-burdened older adults in North Carolina, it is estimated that 188,00 homeowners could be affected.²³ While not investigated in this health note, additional impacts could be felt for people who own homes and have a disability. However, research has shown in related studies that seniors don't always participate in tax relief programs despite fully qualifying for them.²⁴

Appendix: Methodology

To complete this health note, North Carolina Budget & Tax Center staff conducted an expedited literature review using a systematic approach to minimize bias and identify studies to answer each of the identified research questions. In this note, "health impacts" refer to effects on determinants of health, such as education, employment and housing, as well as effects on health outcomes, such as injury, asthma, chronic disease and mental health.

19 Drownoski, Adam, Anju Aggarwal, Andrea Cook, Orion Stewart, and Anne Vernez Moundon, 2016. Geographic disparities in Healthy Eating Index scores (HEI-2005 and 2010) by residential property values: Findings from Seattle Obesity Studies. *Preventive Medicine*, Volume 83.

20 Tippet, Rebecca, June 28, 2017. NC in Focus: Fast Growing Older Population is also Growing Diverse. UNC Center for Demography, accessed at: <https://www.ncdemography.org/2017/06/28/nc-in-focus-fast-growing-older-population-also-growing-more-diverse/>

21 Johnson, James H and Stephen J. Appold, May 30, 2017. US Older Adults: Demographics, Living Arrangements, Barriers to Aging in Place. Kenan Institute White Paper. Kenan Institute of Private Enterprise, UNC Chapel Hill.

22 Ibid

23 American Community Survey, B25093

24 Miller, Joshua J., Silda Nikaj and Jin Man Lee, 2019. Reverse Mortgages and senior property tax relief. *Journal of Housing Economics*, Volume 44, pages 26-34.

The strength of the evidence is qualitatively described and categorized as: not well researched, mixed evidence, a fair amount of evidence, strong evidence, or very strong evidence. It was beyond the scope of analysis to consider the fiscal impacts of this bill or the effects that any funds dedicated to implementing the bill may have on other programs or initiatives in the state. To the extent that this bill requires funds to be shifted away from other purposes or would result in other initiatives not being funded, policymakers may want to consider additional research to understand the relative effect of devoting funds for this bill relative to another purpose.

Once the bill was selected, a research team from the North Carolina Budget & Tax Center hypothesized a pathway between the bill, health determinants and health outcomes. The hypothesized pathway was developed using research team expertise and a preliminary review of the literature. The bill components were mapped to steps on this pathway and the team developed research questions and a list of keywords to search. The research team reached consensus on the final conceptual model, research questions, contextual background questions, keywords and keyword combinations. The conceptual model, research questions, search terms and list of literature sources were peer-reviewed by an external expert on the subject matter. The external expert also reviewed a draft of the note. A copy of the conceptual model is available upon request.

The North Carolina Budget & Tax Center developed and prioritized the following research questions related to the bill components examined:

- To what extent does property tax relief affect household income? Disposable income?
- To what extent does property tax relief affect housing affordability for low income households?
- To what extent does property tax relief affect seniors' ability to age in place?
- To what extent does property tax relief affect older homeowners' connections to health care providers or continuity of care?
- To what extent does property tax relief affect the health of North Carolinians who are older?
- To what extent does property tax relief affect the ability of North Carolinians to transfer wealth to the next generation?

Next, the research team conducted an expedited literature review using a systematic approach to minimize bias and answer each of the identified research questions.²⁵ The team limited the search to systematic reviews and meta-analyses of studies first, since they provide analyses of multiple studies or address multiple research questions. If no appropriate systematic reviews or meta-analyses were found for a specific question, the team searched for nonsystematic research reviews, original articles, and research reports from U.S. agencies and nonpartisan organizations. The team limited the initial search to electronically available sources published between January 2014 and June 2019. Select sources published earlier than January 2014 were included if located through systematic reviews or meta-analyses published between January 2014 and June 2019 or if found during a secondary search for reports from U.S. agencies and nonpartisan organizations.

The research team searched EBSCO Host and Google Scholar along with the following leading journals in public health, social services and homelessness to explore each research question:

- Journal of Housing Research
- Journal of Housing for the Elderly

²⁵ Expedited reviews streamline traditional literature review methods to synthesize evidence within a shortened time frame. Prior research has demonstrated that conclusions of a rapid review versus a full systematic review did not vary greatly. Watt A. et al., "Rapid versus full systematic reviews: an inventory of current methods and practice in Health Technology Assessment," (Australia: ASERNIP-5, 2007): 1-105, https://www.surgeons.org/media/297941/rapidvsfull2007_systematicreview.pdf.

The team used the following keywords during searches:

- (Property tax relief OR burden) + elderly OR senior OR older adult + homeownership
- (Property tax relief OR burden) + elderly OR senior OR older adult + physical health
- (Property tax relief OR burden) + elderly OR senior OR older adult + aging in place
- (Property tax relief OR burden) + elderly OR senior OR older adult + intergenerational wealth transfer
- (Property tax relief OR burden) + elderly OR senior OR older adult + social and emotional well-being
- (Property tax relief OR burden) + elderly OR senior OR older adult + stable housing + civic engagement
- (Property tax relief OR burden) + people with disabilities + homeownership
- (Property tax relief OR burden) + people with disabilities + physical health
- (Property tax relief OR burden) + people with disabilities + aging in place
- (Property tax relief OR burden) + people with disabilities + intergenerational wealth transfer
- (Property tax relief OR burden) + people with disabilities + social and emotional well-being
- (Property tax relief OR burden) + people with disabilities + stable housing + civic engagement
- (Property tax relief OR burden) + housing stability
- (Property tax relief OR burden) + social cohesion
- (Property tax relief OR burden) + continuity of health care

The team also searched for relevant publications from National Low Income Housing Coalition, the U.S. Department of Housing and Urban Development and AARP.

After following the above protocol, the team screened 1109 titles and abstracts,²⁶ identified 527 abstracts for potential inclusion and reviewed the full text corresponding to each of these abstracts. After applying the inclusion criteria, 18 articles were excluded. In addition, the team identified 2 resources with relevant research outside of the peer-reviewed literature. A final sample of 20 resources was used to create the health note. In addition, the team used 4 references to provide contextual information.

Of the studies included, the strength of the evidence was qualitatively described and categorized as: not well researched, mixed evidence, a fair amount of evidence, strong evidence, or very strong evidence. The evidence categories were adapted from a similar approach from another state.²⁷

Very strong evidence: The literature review yielded robust evidence supporting a causal relationship with few if any contradictory findings. The evidence indicates that the scientific community largely accepts the existence of the relationship.

Strong evidence: The literature review yielded a large body of evidence on the association, but the body of evidence contained some contradictory findings or studies that did not incorporate the most robust study designs or execution or that had a higher than average risk of bias or some combination of those factors.

26 Many of the searches produced duplicate articles. The number of sources screened accounts for duplication across searches in different databases.

27 Washington State Board of Health, 2016 "Executive Summary: Health Impact Review of HB 2969," <http://sboh.wa.gov/Portals/7/Doc/HealthImpactReviews/HIR-2016-05-HB2969.pdf>.

A fair amount of evidence: The literature review yielded several studies supporting the association, but a large body of evidence was not established; or the review yielded a large body of evidence but findings were inconsistent with only a slightly larger percent of the studies supporting the association; or the research did not incorporate the most robust study designs or execution or had a higher than average risk of bias.

Mixed evidence: The literature review yielded several studies with contradictory findings regarding the association.

Not well researched: The literature review yielded few if any studies or yielded studies that were poorly designed or executed or that had high risk of bias.

Acknowledgments

This health note was produced using a methodology and approach developed by the Health Impact Project at The Pew Charitable Trusts and is part of a pilot program in several jurisdictions to test the use of health notes to inform policymaking at state and local levels. We appreciate the input of experts — including Jeremy Grant Moulton, Associate Professor at the Department of Public Policy, UNC Chapel Hill — in this field on the topic of housing and aging and property taxes. This health note is supported by a grant from the Center on Budget & Policy Priorities. The views expressed are those of the authors and do not necessarily reflect the views of the Health Impact Project or The Pew Charitable Trusts.