IOWA Department of REVENUE

Iowa's Disabled and Senior Citizens Property Tax Credit and Rent Reimbursement Program Expenditure Projections Study

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Executive Summary

- The Disabled and Senior Citizens Property Tax Credit and Rent Reimbursement Program provides low-income citizens with property tax assistance. Homeowners can qualify for a property tax credit, while renters can qualify for a reimbursement of rent constituting property taxes paid, or 23 percent of annual rent payments.

- During 2011, seniors and disabled households with income below $10,900 could qualify for the maximum claim of $1,000. The maximum claim is reduced as income rises, with households reporting income up to $21,334 qualifying for at most $250.

- In 2011, rent reimbursement payments accounted for 65 percent of the Program's costs, while property tax credits made up 35 percent.

- Of the two qualifying groups, low-income disabled claimants currently receive approximately 73 percent of total rent reimbursement claim dollars, while low-income seniors receive 27 percent.

- During the last five years, 77 percent of rent reimbursement expenditure increases resulted from increases in both the number of disabled claimants and in those claimants' average rents. Senior claimants and their average reimbursements have grown more slowly.

- A slowdown in expected growth in the number of disabled Iowans and a 25 percent expected increase in the senior population over the next ten years results in a forecasted 11 percent increase in rent reimbursement claims by disabled claimants in the next ten years while senior citizen rent reimbursement claims are forecasted to increase by more than 95 percent.

- Annual growth in average rent reimbursement warrants will slow to below one percent by 2022 as the average payments by qualifying category near their maximums.

- Total rent reimbursement claims are forecasted to increase to $29.5 million by 2022, up from $17.8 million in 2011.

- Property tax credit claims are forecasted to almost double between 2011 and 2022 as average claims are projected to increase steadily over the next ten years with the current average well below the maximum claim.

- Holding the existing claims review process constant, annual program administrative costs for the Department of Revenue are estimated to increase by nearly $60,000 based on an estimate of 10,000 new claimants by 2020.

- Total program expenditures are forecasted to increase by 73.2 percent between claim year 2011 and 2022, rising from $24.2 million to $41.8 million.

Program Overview

The Disabled and Senior Citizens Property Tax Credit and Rent Reimbursement Program (the Program), provides certain low-income citizens with property tax assistance.[1] The Program is part of the Homestead Tax Credit in the Iowa Code. Homeowners qualify for a property tax credit, while renters qualify for reimbursement of the portion of rent which constitutes property taxes paid. It is legislated that 23 percent of annual rent payments are for covering property tax.

The property tax credit or the reimbursement for renters ranges from 25 to 100 percent of the property tax or rent constituting property taxes paid up to $1,000. The percentage falls as household income rises (see Table 1). In 1998, the upper limit for household income was set at $16,499.99. This amount is adjusted annually by the indexation factor which is calculated by the Iowa Department of Revenue (IDR) to adjust individual income tax brackets.[2] Household income, for the purpose of this law, includes anything that is included in adjusted gross income for Iowa individual income tax, but also includes child support, all pension payments, deductible capital gains, public assistance payments, worker's compensation, disability income, and Social Security benefits. A household consists of a claimant and the claimant's spouse, if the spouse lived with the claimant at any point in time during the claim year.

Table 1. Rent Reimbursement or Property Tax Credit Rate by Income

Household Income (1998)	Household Income (2011)	Rate
$0 to 8,499.99	$0 to 10,769.99	100%
$8,500 to 9,499.99	$10,770 to $12,036.99	85%
$9,500 to 10,499.99	$12,037 to $13,303.99	70%
$10,500 to 12,499.99	$13,304 to $15,837.99	50%
$12,500 to 14,499.99	$15,838 to 18,371.99	35%
$14,500 to $16,499.99	$18,372 to 20,905.99	25%
$16,600 or over	$20,906 or over	0%

[1] Iowa Code 425.16 through 425.40.
[2] The indexation factor is equal to the percentage change in the GDP Price Deflator from the 2nd quarter prior to the tax year to the 2nd quarter two years prior to the tax year.

To qualify for the Program, an elderly claimant must be sixty-five years of age or older on December 31st of the claim year, which is the calendar year before the claim for tax credit or reimbursement is filed. A disabled claimant qualifies if during the claim year he or she is totally disabled and is predicted to be unable to work for the next 12 continuous months.[3] The definition of disability mirrors that used for Social Security Disability Insurance (DI), which excludes partial or short-term disability cases from eligibility for the Program.

For rent warrants being processed in calendar year 2012, qualifying rent amounts and income are based on 2011 rent and income. The maximum income for any 2011 qualified claim is $20,906, while a household with income up to $10,770 can qualify for 100 percent reimbursement up to $1,000. For a renter to qualify for the $1,000 maximum reimbursement, total annual rent payments must be at or above $4,348. Renters file claims directly with IDR starting in mid-January after the claim year.

A qualifying property owner files a claim with their county treasurer by June 1 preceding the fiscal year in which property taxes are due. Counties submit total claims to IDR by June 15, and then the State reimburses the counties. Qualifying households' property tax liabilities due at the end of September are then reduced by the credit amount.

The Program receives a standing unlimited appropriation from the Legislature that covers the rent reimbursements and property tax credits and also funds the Special Assessment Credit and Mobile Homes Reduced Rate programs. These two other programs contribute very little to the overall expenditure (just 0.6 percent total in fiscal year 2012). Unlike other tax credits, the Program is considered a General Fund appropriation, because the property tax credit consists of a transfer payment to local governments. The standing unlimited nature of the appropriation

[3] Disability is defined as unable to engage in any substantial gainful employment.

means that if the Program requires more funds than were initially appropriated, the Department of Management supplies additional money to cover all costs. The Program previously received funding in the form of limited appropriations, and in the case of budget shortages, IDR had to pay claims *pro rata*.[4] IDR last paid less than full claims in fiscal years 2002 through 2004. The fiscal year 2012 appropriation equaled $23.4 million and was distributed to 45,168 households. In fiscal year 2012, the Program accounted for 15 percent of IDR's General Fund appropriation. See Table 2 for a history of total program payments since claim year 2004.

Table 2. Past Program Expenditures

Claim Year	Property Tax Credits	% Change	Rent Reimbursements	% Change	Total Expenditures	% Change
2004	$6,305,870	-	$13,226,184	-	$19,532,054	-
2005	$6,392,527	1.40%	$13,356,756	1.00%	$19,749,283	1.10%
2006	$5,783,213	-9.50%	$12,931,864	-3.20%	$18,715,077	-5.20%
2007	$5,887,801	1.80%	$14,525,971	12.30%	$20,413,772	9.10%
2008	$5,882,286	-0.10%	$15,422,649	6.20%	$21,304,935	4.40%
2009	$6,102,162	3.70%	$15,977,346	3.60%	$22,079,508	3.60%
2010	$6,210,155	1.80%	$17,069,772	6.80%	$23,279,927	5.40%
2011	$6,367,435	2.50%	$17,771,186	4.10%	$24,138,621	3.70%

Rent Reimbursement and Property Tax Credit Trends

Since claim year 2004, total expenditures on property tax credits and rent reimbursement payments to senior and disabled Iowans have been steadily increasing. After the Program received reduced funding in fiscal years 2002 through 2004, property tax credits and rent reimbursement payments have increased from a combined cost of $19.5 million in claim year 2004 to nearly $24 million in 2011.[5] The total number of those qualifying for rent reimbursement payments have increased nearly 12 percent in the last decade; IDR has individual rent reimbursement claim information dating back to claim year 2002. The average reimbursement payment for each recipient has also increased by 3.7 percent annually over the last five years

[4] Claims paid *pro rata* indicates that applicants only received a portion of the property tax credit or rent reimbursement claim for which they applied equal to the ratio of total available funds and total requested claims.

[5] 2011 numbers do not include potential rent reimbursement claims made after mid-July, which in claim year 2010 added $200,000 to total program expenditures. An average number of late claims are factored into the forecasts of future program expenditures based on averages from 2006-2010.

(see Figure 1). This increase has been driven by the significant growth of $1,000 warrants. While fewer than nine percent of recipients received the full $1,000 reimbursement in claim year 2002, 19.4 percent of recipients qualified for a $1,000 warrant in claim year 2011 (see Figure 2). Past reimbursement information suggests the increase was not caused by a shift of claimants into lower income groups, but instead by increased average warrants among all income groups as a result of increasing rents. As more rents approached and moved beyond the $4,348 threshold to be eligible for the maximum $1,000 claim, average payments increased in all income groups. Rent increases and subsequent reimbursement increases were largest in the lowest income groups—those receiving 100 and 85 percent reimbursements.

Figure 1. Average Warrant Amount by Year

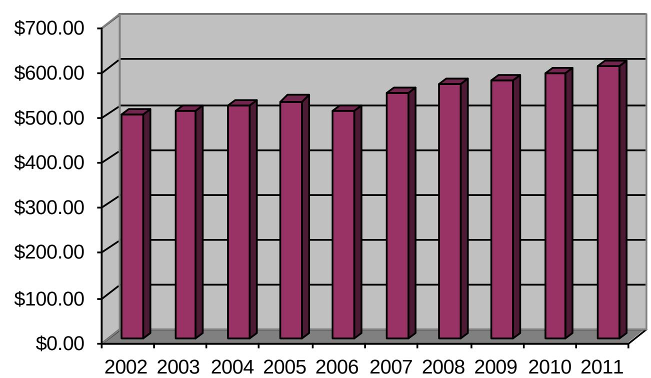
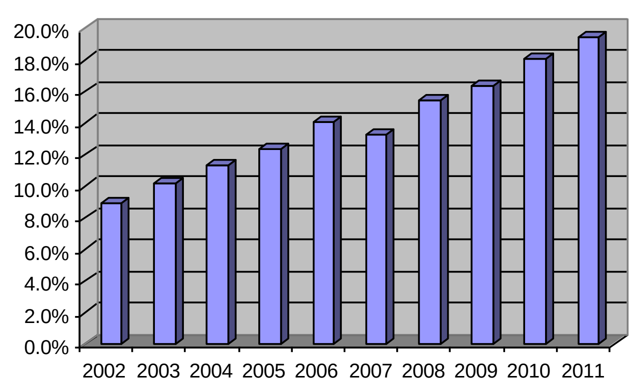


Figure 2. $1,000 Warrants as Percentage of Total



Disabled claimants qualify for a greater share of 100 and 85 percent reimbursements than senior citizens.[6] For claim year 2011 rent reimbursements processed through June 2012, 50.1 percent of disabled claimants were eligible for the 100 percent reimbursement rate compared to just 24.5 percent of seniors (see Table 3). A similar number of senior recipients qualified for a 50 percent reimbursement. The distribution among the other reimbursement levels was more even for seniors than for disabled claimants. Just 10 percent of disabled claimants fell in the two higher-income reimbursement rate groups. Both the disabled and senior distributions have been relatively constant during the past six years, while the average reimbursement in each category has steadily risen.[7] This suggests that new recipients in both groups have not had incomes significantly higher or lower than prior claimants.

Table 3. Claim Year 2011 Rent Reimbursement Recipients by Income Group and Claim Type

	Disabled Claimants					
Reimbursement Rate	100%	85%	75%	50%	35%	25%
Number of Claims	7,403	1,815	1,817	2,163	1,079	508
Percent of Total Claims	50.1%	12.3%	12.3%	14.6%	7.3%	3.4%
Average Annual Income	$8,627	$11,454	$12,629	$14,470	$16,978	$19,420
Average Warrant Amount	$827.23	$625.47	$520.92	$380.97	$293.49	$218.88
Average Annual Rent	$3,597	$3,199	$3,020	$3,313	$3,646	$3,807
Average Warrant Share of Maximum Claim	82.7%	73.6%	69.5%	76.2%	83.9%	87.6%

	Senior Claimants					
Reimbursement Rate	100%	85%	75%	50%	35%	25%
Number of Claims	1,888	816	970	1,831	1,347	864
Percent of Total Claims	24.5%	10.6%	12.6%	23.7%	17.5%	11.2%
Average Annual Income	$8,765	$11,447	$12,672	$14,544	$17,071	$19,483
Average Warrant Amount	$717.96	$580.55	$490.58	$369.50	$283.36	$213.58
Average Annual Rent	$3,122	$2,970	$2,844	$3,217	$3,520	$3,715
Average Warrant Share of Maximum Claim	71.8%	68.3%	65.4%	73.9%	81.0%	85.4%

[6] IDR data on rent reimbursement recipients includes birth dates for claim years 2010 and 2011. Using that information, claimant ages were calculated. All claimants determined to be age 65 or older during the claim year were assumed to have qualified as a senior claimant. It is possible that some elderly claimants would also qualify as disabled.

[7] For rent reimbursement claim data prior to 2010, claimant Social Security Numbers were matched to IRS data on birth dates allowing for the determination of households claiming as seniors and disabled.

Between fiscal year 2006 and 2012, the increase in average rent reimbursement warrants has accounted for 49 percent of the increase in rent reimbursement expenditures attributed to disabled recipients, while rising counts of recipients explain 51 percent of cost increases (see Table 4). For seniors, average warrant amounts for each income category have been lower than those for disabled claimants (signifying lower average rents). However, the average warrant amount for seniors has been rising at a faster rate than for disabled claimants. Over the last five years, increasing warrant size accounts for 70 percent of cost increases attributable to seniors. As drivers of total rent reimbursement expenditures, the increase in the number of disabled recipients (39%) and growth in their average warrant size (38%) together account for 77 percent of program growth since fiscal year 2006.

Table 4. Source of Cost Increases by Claimant Type for Rent Reimbursement Claims Between Claim Years 2006 and 2011

Claimant Type	Increase in Number of Claims	Increase in Average Warrant	Total
Disabled	51%	49%	100%
Claimant Type	Increase in Number of Claims	Increase in Average Warrant	Total
Senior	30%	70%	100%
Claimant Type	Increase in Number of Claims	Increase in Average Warrant	
Disabled	39%	38%	77%
Senior	7%	16%	23%
	46%	54%	100%

Property tax credits have shown much weaker trends towards increasing expenditures. After payments were prorated from fiscal year 2002 to 2004, property tax credit expenditures have fluctuated between $6.4 and $5.8 million, though the last three years have seen consistent annual average increases of 2.7 percent (see Table 2). Because rent reimbursement costs have grown more consistently and at a faster pace than property tax credits, the total share of program costs for property tax credits has declined to 27 percent in claim year 2011 from 34 percent in 2004.

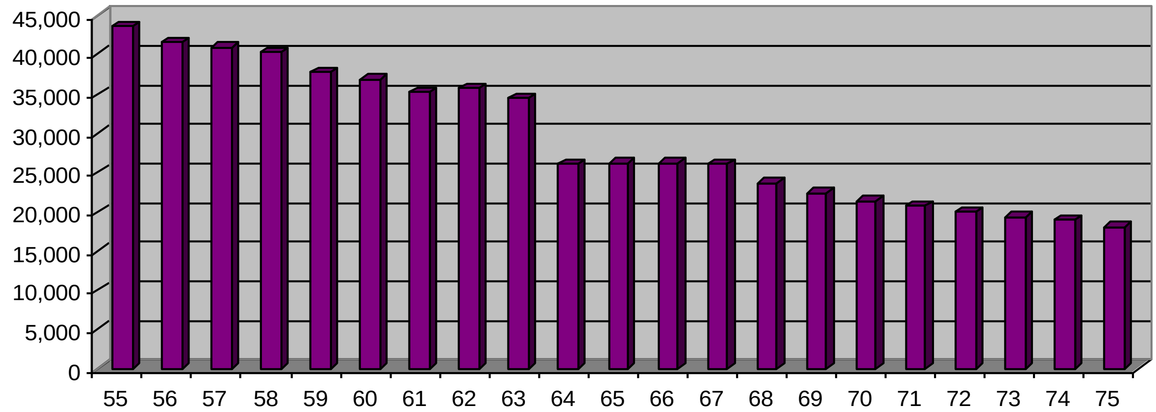
Disability Trends

Changes in the factors affecting both age and disability requirements suggest upward pressures on total State expenditures for the Program. Although data on the number of disabled citizens in Iowa is not readily available, it is assumed that the number of Social Security DI worker beneficiaries is a good approximation. In Iowa, DI worker beneficiaries grew at an increasing rate from 2007 to 2010, driving up the average annual growth over the last decade to 3.6 percent. Between 2007 and 2012, the number of DI worker beneficiaries in the United States jumped 20 percent. Dismal labor market conditions during the recession may have led discouraged workers to apply for DI instead of trying to find new employment. Although Iowa was not hit as hard by the recession as some other states, total disability numbers for the state reflect the national trend. In 2007, when unemployment in the state was below four percent, total DI worker beneficiaries increased just 1.7 percent over 2006, yet in 2010, with unemployment above six percent, the number of Iowans receiving DI worker benefits grew by 4.2 percent. With this growth, it is not surprising that 51 percent of cost increases related to disabled claimants and 39 percent of total program cost increases over the last five years can be attributed to new disabled claimants.

Age Trends

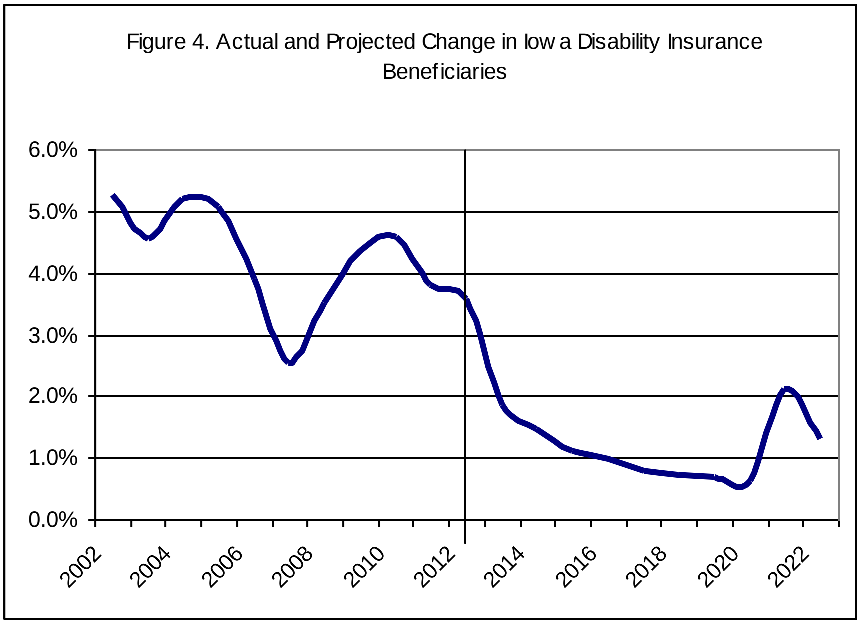
The baby boomer generation will reach age 65 between 2011 and 2029, greatly increasing the number of elderly citizens in the state who may qualify for the property tax credit or a rent reimbursement payment. The U.S. Census Bureau projects that by 2030 there will be 663,000 Iowans above the age of 65, compared to just 453,000 seniors in 2010. In the 2010 Census, Iowa's population contained around 26,000 citizens of each year of age between 64 and 70, compared to 34,497 63 year-olds and rising numbers for every age down to age 52 (see Figure 3). The difference in population between ages 63 and 64 suggests that while growth in the number of seniors will stretch well into the future, 2012 and 2013 increases could lead to a significant jump in benefits for seniors paid in 2013 and 2014.

Figure 3. Number of Iowans per Year of Age (2010 Census)

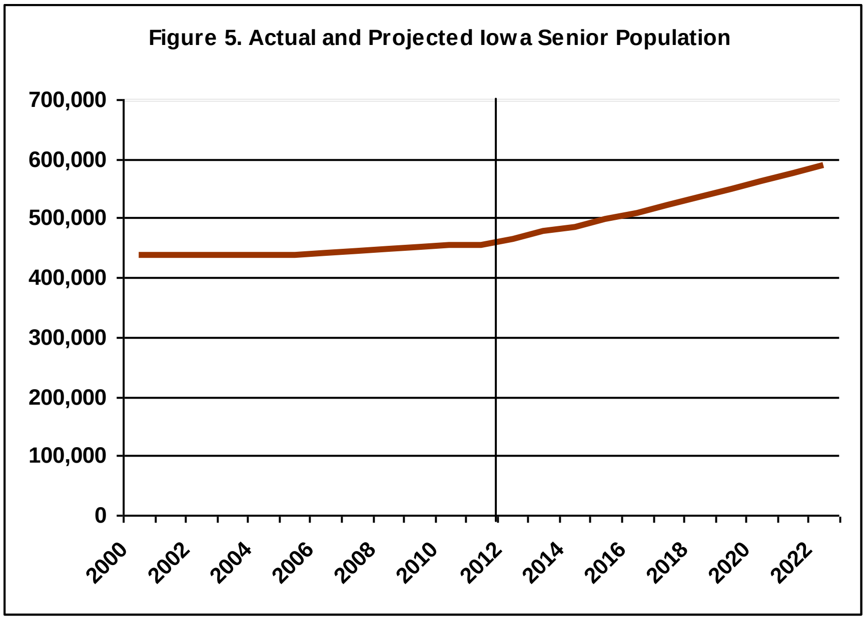


Demographic Projections

U.S. Census Bureau and Social Security Administration (SSA) actuarial data serve as core sources to predict the rate of growth for senior and disabled citizens in Iowa over the next ten years. SSA provides high-, intermediate-, and low-cost projections for growth in DI worker beneficiaries over the next 75 years. Past annual reports from Social Security provided DI worker counts by state back to 2002, and future numbers were calculated by multiplying Iowa's most recent published figure by the national intermediate projection for each year through 2022. While the last decade has seen a great rise in disability claims, peaking at 4.2 percent growth in 2010, starting in 2013, SSA projects a significant slowdown in the growth of new DI claims, with a rate of less than one percent annual growth by 2015 (see Figure 4). The total number of disabled Iowans will remain high, but the slower growth should not be expected to contribute significantly to a rise in the costs of the Program. This is significant given the growth in disabled claimants accounted for 39 percent of cost increases in the last five years.



For Iowa's senior population, Census data from 2000 and 2010 have shown small but steady increases in the total number of citizens above the age of 65 – a rise of 16,600 (3.8%) in that ten-year period. When applied to 2010 Census data of Iowa age groups, the 2005 U.S. Census population projections (the most recent available), suggest a significant increase in the population above 65 over the next ten years (see Figure 5). Historically, the average annual growth rate of the senior population rose from 0.5 to 1 percent, but starting in 2012 and 2013, the annual growth rate is expected to be greater than 2 percent, peaking at 2.6 percent annual growth in 2020. This demographic explosion presents a potentially significant cost increase for the Program.



Rent Reimbursements Projection

To forecast rent reimbursement expenditures, four values are needed for each year: the number of disabled claimants, the number of senior claimants, and the average warrant for each group. To forecast the number of claimants, simple linear regressions were estimated to measure the historical relationships between the number of disabled and senior rent reimbursement claimants and total Iowa populations of DI worker beneficiaries and citizens aged 65 and older. A strong correlation between the series was observed. The regressions suggest that historically an increase of 1,000 in Iowa DI worker beneficiaries resulted in 140 additional rent reimbursement claims while a similar increase in the elderly population resulted in 80 additional rent reimbursement claims. Applying these estimates to the senior and DI worker population forecasts provides an estimate of the total recipients of rent reimbursement payments in the next ten years (see Table 5). While senior citizens have, until now, accounted for less than half of the rent reimbursement claims, changes in the growth rate of both qualifying groups suggest this trend will reverse by 2024. As the baby boomer generation ages and lives longer, the surge in this population is estimated to double the number of low-income seniors receiving rent reimbursement by 2022. With the slower growth in disability claims predicted by SSA, the forecast predicts little growth in the number of disabled rent reimbursement recipients. In the next ten years, senior citizen claimants are estimated to grow 95 percent, while disabled claimants are estimated to grow just 11 percent.

Table 5. Actual and Projected Number of Reimbursements						
Claim Year	Senior Claimants	% Change	Disabled Claimants	% Change	Total Claimants	% Change
2002	8,338	-	16,442	-	24,780	-
2003	8,645	3.70%	16,197	-1.50%	24,842	0.30%
2004	9,112	5.40%	16,345	0.90%	25,457	2.50%
2005	9,166	0.60%	16,074	-1.70%	25,240	-0.90%
2006	9,301	1.50%	16,179	0.70%	25,480	1.00%
2007	9,747	4.80%	16,799	3.80%	26,546	4.20%
2008	9,892	1.50%	17,383	3.50%	27,275	2.70%
2009	9,828	-0.60%	17,979	3.40%	27,807	2.00%
2010	9,851	0.20%	19,048	5.90%	28,899	3.90%
2011	**10,038**	**1.90%**	**19,225**	**0.90%**	**29,263**	**1.30%**
2012	10,387	3.50%	20,073	4.40%	30,459	4.10%
2013	11,231	8.10%	20,271	1.00%	31,501	3.40%
2014	12,029	7.10%	20,432	0.80%	32,461	3.00%
2015	12,883	7.10%	20,553	0.60%	33,436	3.00%
2016	13,771	6.90%	20,660	0.50%	34,431	3.00%
2017	14,821	7.60%	20,747	0.40%	35,568	3.30%
2018	15,874	7.10%	20,827	0.40%	36,701	3.20%
2019	16,971	6.90%	20,905	0.40%	37,875	3.20%
2020	18,106	6.70%	20,975	0.30%	39,081	3.20%
2021	19,174	5.90%	21,220	1.20%	40,394	3.40%
2022	20,226	5.50%	21,374	0.70%	41,600	3.00%

Average warrant amounts are also projected to rise steadily over the next ten years. Recall that the warrant amount is a function of household income, which determines the reimbursement rate category. As disabled recipients already receive reimbursements near the maximum amount within each category, the growth in average claims made by this group will be below one percent annually by 2020 (see Table 6). For seniors, however, past observations show quickly rising average warrant amounts. Because the distribution of income within each group has been relatively stable, it is assumed the growing senior and disabled populations will maintain the 2012 income distribution. Therefore, many senior recipients will still receive reimbursement of 50 or 35 percent of their rent which constitutes property taxes paid in 2022, and the average warrant amount for seniors will stay significantly lower than that for disabled recipients.

Table 6. Rent Reimbursement Warrant Projections					
Claim Year	Average Disabled Warrant	% Change		Average Senior Warrant	% Change
2012	$686.92	2.10%		$499.40	3.10%
2013	$706.14	2.80%		$516.16	3.40%
2014	$723.83	2.50%		$532.59	3.20%
2015	$737.55	1.90%		$548.55	3.00%
2016	$750.59	1.80%		$561.91	2.40%
2017	$762.67	1.60%		$574.08	2.20%
2018	$772.14	1.20%		$585.09	1.90%
2019	$780.30	1.10%		$595.13	1.70%
2020	$785.21	0.60%		$603.96	1.50%
2021	$789.46	0.50%		$612.49	1.40%
2022	$791.94	0.30%		$620.54	1.30%

As seniors become the predominant recipients of benefits, total average reimbursement will plateau or begin to slightly decline around 2025 as many more senior recipients only qualify for maximum payments of $500, $350, or $250. Nonetheless, the average warrant amount for seniors is projected to increase by 24 percent over the next ten years, while the average warrant for disabled claimants is projected to rise by just 15 percent. Combining these estimates, total rent reimbursement expenditures are expected to grow more than 65 percent by 2022, or at an average annual rate of 4.7 percent (see Table 7). Annual increases peak in 2012 but remain above 4 percent until 2020. The significant 2012 increase comes from the last forecasted high annual growth in disabled beneficiaries.

Table 7. Total Rent Reimbursement Expenditure Projections								
Claim Year	Disabled Expenditures	% Change		Senior Expenditures	% Change		Total Expenditures	% Change
2012	$13,788,000	6.50%		$5,187,000	6.70%		$18,975,000	6.60%
2013	$14,314,000	3.80%		$5,797,000	11.80%		$20,111,000	6.00%
2014	$14,789,000	3.30%		$6,407,000	10.50%		$21,196,000	5.40%
2015	$15,159,000	2.50%		$7,067,000	10.30%		$22,226,000	4.90%
2016	$15,507,000	2.30%		$7,738,000	9.50%		$23,245,000	4.60%
2017	$15,823,000	2.00%		$8,508,000	10.00%		$24,332,000	4.70%
2018	$16,081,000	1.60%		$9,288,000	9.20%		$25,369,000	4.30%
2019	$16,312,000	1.40%		$10,100,000	8.70%		$26,411,000	4.10%
2020	$16,470,000	1.00%		$10,935,000	8.30%		$27,405,000	3.80%
2021	$16,753,000	1.70%		$11,744,000	7.40%		$28,496,000	4.00%
2022	$16,927,000	1.00%		$12,551,000	6.90%		$29,478,000	3.40%

Property Tax Credit Projection

For property tax credits to seniors and disabled citizens, limited individual-level data are available because claimants file through their county treasurers and IDR only handles aggregate claims through distributions to the counties. With similar qualification standards for rent reimbursements and property tax credits (see Table 1), exogenous factors that influence the number of rent reimbursement recipients should similarly influence property tax credit claims. In 2011, Iowa counties filed for $6.4 million in property tax credits on behalf of 16,270 households, for an average of $391 per recipient. Assuming property taxes increase with inflation, the average amount of taxes eligible for the credit should rise in tandem with qualifying household income. As the average property tax credit is much lower than the average rent reimbursement claim, payment ceilings are less likely to slow average credit growth. Therefore, it is assumed the average property tax credit claim will rise with inflation for both disabled and senior homeowners.

Forecasting the number of property tax credit recipients requires more speculation. Without data on the individual claimants, assumptions are necessary to divide claims between senior and disabled recipients. Rent reimbursement claimants' distribution between senior and disabled Iowans can be used to provide an estimate for what proportion of the 16,270 property tax credit recipients qualify because of age versus disability. However, homeownership rates in Iowa are around 10 percent higher for people over the age of 65 (80% of seniors own their homes). To account for this difference, the observed distribution of rent reimbursements for claim year 2011 (65% disabled versus 35% seniors) is adjusted by the increased likelihood that senior citizens own their homes. It is assumed 55 percent of historical property tax credit claims were made by disabled citizens and 45 percent of claimants were senior citizens. Future claimants are forecasted using the same population forecast data and regression results for rent reimbursements. With the bias toward senior citizens and the higher projected growth of that population, total property tax credit claims are expected to rise around 6 percent annually to reach $12.3 million in 2022 from $6.4 million in 2011 (see Table 8).

Table 8. Projected Total Program Costs (Millions)						
Claim Year	Property Tax Credits	% Change	Rent Reimbursements	% Change	Total Program Costs	% Change
2012	$6.6	3.10%	$19.0	6.60%	$25.6	5.80%
2013	$7.1	7.60%	$20.1	6.00%	$27.2	6.30%
2014	$7.5	5.60%	$21.2	5.40%	$28.7	5.50%
2015	$8.0	6.70%	$22.2	4.90%	$30.2	5.20%
2016	$8.6	7.50%	$23.2	4.60%	$31.8	5.30%
2017	$9.2	7.00%	$24.3	4.70%	$33.5	5.30%
2018	$9.8	6.50%	$25.4	4.30%	$35.2	5.10%
2019	$10.4	6.10%	$26.4	4.10%	$36.8	4.50%
2020	$11.0	5.80%	$27.4	3.80%	$38.4	4.30%
2021	$11.7	6.40%	$28.5	4.00%	$40.2	4.70%
2022	$12.3	5.10%	$29.5	3.40%	$41.8	4.00%

Sources of Uncertainty

A number of factors could push actual costs either above or below this estimate. For one, national projections are used to predict disability numbers for Iowa, and while Iowa's numbers closely reflected the national trends over the last ten years, state-specific conditions could lead to future divergence. The national projections could also be too optimistic which would push actual future expenditures higher than the forecast. Average warrant amounts could also vary from the projected average. As the $1,000 upper bound approaches, the rate at which average warrant size increases will slow. This slowdown depends, however, upon the distribution of and inflation adjustments to qualifying income levels. As the number of seniors in the state increases, demand for retirement-specific rental housing may greatly outpace supply and push rents higher. This would lead to a greater-than-expected rate of growth in average warrants. The income distribution of future claimants is assumed to match that observed in the last five years, but if future recipients report lower income (assuming rents still rise), average claims will rise faster than projected.

For property tax credits, the lack of individual-level data requires the assumption of a close relationship to rent reimbursement trends, even though this has not always been observed in the past. Recipients of these credits may differ significantly from those who apply for rent reimbursement. Public knowledge of the Program, too, is an intangible factor in projecting the costs. Data suggest that a number of Iowans who would qualify for benefits under the Program do not apply. If the Program becomes more well-known at any time (e.g. through more access to information online), costs may exceed expectations. Finally, general economic conditions in the state or for seniors may cause actual numbers to deviate from the projection.

Administrative Costs

Given the forecasted rise in claimants and expenditures over the next ten years, the administrative costs of the Program should also be expected to rise. For property tax credits, additional claimants will not increase costs for IDR, as the processing of claims takes place at the county level. For rent reimbursements, additional claimants will increase the workload of the Processing Services and Compliance Services teams within IDR. Processing Services handles the claim forms and data entry, while Compliance Services completes processing and pays qualifying applicants. In addition, Taxpayer Services answers questions about claims that arise when claimants are making claims and while claimants are waiting for refunds. Those questions are asked through phone calls, e-mails, and walk-ins. During the 2012 filing season, IDR relied on volunteers to answer questions from the nearly 600 walk-ins.

For fiscal year 2012, processing work related to rent reimbursements is estimated to have cost IDR $170,000. Based on the wages and hours of employees working on claims, the estimated processing cost per claim was $5.50. During the 2012 filing season, Taxpayer Services answered an estimated 5,418 calls regarding rent reimbursements, which reflects an additional $12,500 in administrative costs including phone charges and staff time, or roughly $2.30 per call. By 2020, assuming the claim processing and per call cost does not change, the estimated 10,000 new claimants is forecasted to cost IDR an additional $55,000 in claims processing and $4,300 in costs for responding to phone calls. Given the tight schedule for processing the bulk of rent reimbursements in January and February, growth in the number of applications may necessitate additional staff or temporary workers to handle an increasing workload, raising the per claim cost above the current level. If the number of individuals seeking one-on-one help from IDR increases, it is quite possible that the workload will strain volunteer resources and paid staff will be required to help assist those individuals. As the number of annual claimants grows, modernization of tax administration through the implementation of a program beneficiary database may provide significant cost savings in the long term. While the constituency of rent reimbursements is one that would likely be resistant to voluntary electronic filing, other steps toward modernization could be taken within IDR to simplify and hasten processing, reducing ongoing program administration costs.

Final Program Expenditure Forecast

Summing the property tax and rent reimbursement projections suggest an average annual growth rate for the Program of just under 5 percent over the next ten years (see Table 8). The projected rate of growth peaks at 6.3 percent between 2012 and 2013, but as Iowa's senior population is projected to rise steadily through 2030, program costs will likely continue to rise past 2022. While the majority (67.5%) of the Program's benefits currently go to disabled recipients, changes in the age composition of Iowa's population will push the bulk of benefits towards senior citizens. By 2022, seniors will receive 47.6 percent of benefits (up from 32.5%).

Annual cost increases peak in the first year of the projection at 6.3 percent, and although the costs of the Program rise consistently for the next ten years, the percentage increases decline steadily. The decreasing rate can be explained by two major factors. First, while the total number of recipients increases, a greater proportion of benefits go to seniors who on average receive smaller reimbursement amounts because they have relatively higher household incomes, making them eligible for lower reimbursement rates. Second, annual increases in the average warrant received within each reimbursement rate group will slow greatly as the average benefits reach the maximum. While today many claimants pay annual rent of less than $4,384, it is expected by 2022 almost all rents will exceed that amount and thus most claims will be subject to the claim cap. However, property tax credit claims are expected to continue to increase at a steady rate as the average credit amount, well below rent reimbursement amounts, will not reach program claim limits in the foreseeable future.

Although various sources of uncertainty exist about these estimates, based on historical program data, Census projections for aging in Iowa, and national SSA projections for disabled workers, it is expected that total program expenditures will increase by 73.2 percent between claim year 2011 and 2022 from $24.2 million to $41.8 million. Underlying that increase in expenditures is an expected increase in the number of rent reimbursement claims that IDR must process to 41,600 in 2022 from 29,263 in 2011. This 42 percent growth in claims will also drive up program administrative costs by a similar percentage, suggesting IDR may want to consider investing in modernization of the claims process to reduce that growth in costs.