

*City of Alexandria, Virginia*23
1-9-01

MEMORANDUM

DATE: JANUARY 4, 2001

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: ORDINANCE TO AMEND THE PROVISIONS OF THE TITLE 3 CITY CODE WHICH ESTABLISH REAL ESTATE TAX EXEMPTIONS AND DEFERRALS FOR ELDERLY OR PERMANENTLY DISABLED PERSONS, TO CHANGE THE MANNER IN WHICH THE MAXIMUM EXEMPTION IS DETERMINED, AND TO CHANGE THE INCOME LIMITS FOR TOTAL AND PARTIAL EXEMPTIONS AND DEFERRALS

ISSUE: Consideration of an Ordinance to revise the income and benefit limits in the City's Real Estate Tax Relief Program for the Elderly or Permanently and Totally Disabled Persons (the Program).

RECOMMENDATION: That City Council pass the proposed Ordinance (Attachment I) on first reading and schedule it for public hearing, second reading and final passage on Saturday, January 13, 2001. The proposed ordinance would (1) increase the maximum annual real estate tax exemption which is available to qualified applicants with income that exceeds \$12,800 but no more than \$25,600 to an amount equal to the average property tax for residential properties in the City; (2) offer a partial tax exemption of 75% of the maximum annual tax exemption to qualified applicants with income that exceeds \$25,600 but no more than \$30,000; (3) offer a partial tax exemption of 50% of the maximum annual tax exemption to qualified applicants with income that exceeds \$30,000 but no more than \$35,000; and (4) increase the income limits to qualify for the deferred tax program to \$40,000.

DISCUSSION: Over the past eight years, the average real estate tax assessment in many neighborhoods has increased, and this is expected to be the case again in calendar year 2001. Without a change in the City's existing Real Estate Tax Relief Program, many of the elderly and disabled who participate in the Program and who may be on fixed incomes will see their real estate tax bill increase. Under the existing Program, the maximum annual real estate tax exemption which qualified elderly or disabled applicants with income in excess of \$12,800 may receive is \$1,900. This amount, under the existing Program, increases each year by an inflationary factor based on the Consumer Price Index (CPI-U) for the Washington-Baltimore Metropolitan Area. For calendar year 2001, the maximum annual real estate tax exemption would be \$2,000.

The proposed ordinance changes and increases the maximum annual tax exemption to an amount equal to the City's average residential property tax. The average residential real estate bill for calendar year 2000 was \$2,124 based on the average residential assessment¹ of \$191,341. If the average residential real estate assessment increases by 5 percent in 2001, the maximum annual tax exemption would be \$2,230. The intent of this proposed change is to (1) increase the maximum annual tax exemption permitted and (2) have the amount of the maximum annual tax exemption adjust annually to stay equal to the average residential real estate tax bill.

Under the current program, the maximum income an elderly or disabled applicant may earn and still qualify for a tax exemption is \$25,600. If an individual earns one dollar more than the income limit, he or she does not currently qualify for any tax exemption. The proposed ordinance addresses this by adding two partial exemption steps. The first step would provide a tax exemption up to 75% of the maximum tax exemption to qualified applicants whose income exceeds \$25,600 but does not exceed \$30,000. The second step would provide a tax exemption up to 50% of the maximum tax exemption to qualified applicants whose income exceeds \$30,000 but does not exceed \$35,000. Fifty percent of the maximum tax exemption for 2001 would be \$1,115 (more if the average residential assessment increases by more than 5%). An individual in the program has the option to defer the amount of real estate taxes that exceed the exemption limits.

Under the current Program, elderly or disabled property owners whose income is between \$25,600 and \$32,000 may defer all or part of their taxes until the property is sold or the owner dies. The proposed ordinance revises these income requirements so that applicants with income between \$35,000 and \$40,000 may defer all or part of their taxes.

Further, the proposed ordinance removes the inflationary clauses from the income limits. This change is recommended for several reasons. One, the proposed ordinance greatly expands the income limits for which an applicant to the Program may qualify for some form of tax relief. The maximum income for a partial tax exemption is proposed to increase from \$25,600 to \$35,000. Two, with an inflationary factor applied to higher income limits, the Program's costs could increase substantially over time. At three percent inflation, the \$35,000 income limit would increase at over \$1,000 a year. And three, few, if any, Program participants will be affected this year as a result of the elimination of the inflation factor due to the expansion of the Program income limits.

Attachment II is a chart that compares the exemptions available under the current Program to those under the proposed Program. The black shaded area illustrates the current tax exemption at the various income limits. The gray shaded area shows the proposed tax exemption at the revised income limits. As shown, the proposed Program provides for a gradual step down exemption as income levels increase.

This proposed Program has been discussed with representatives of the Commission on Aging and the Commission on Persons With Disabilities. Both Commissions have endorsed these changes to the Program (Attachments III and IV).

¹The average residential assessment reflects the average assessed value of all single-family detached, semi-detached, townhome, duplex, condominium, and cooperative residential properties.

COMPARISON WITH OTHER JURISDICTIONS:

Staff surveyed the Real Estate Tax Relief Programs from neighboring jurisdictions. Program designs vary. The following chart illustrates the basic limits on income for an applicant to qualify in each jurisdiction.

**Real Estate Tax Relief
Income Eligibility and Benefit Range**

Tax Relief Benefit	Alexandria		Arlington	Fairfax County	Prince William	Loudoun
	current	proposed				
	Income	Income	Income	Income	Income	Income
Exemption - Full	\$0 to \$12,800	\$0 to \$12,800	\$0 to \$10,000	\$0 to \$35,000	\$0 to \$22,000	N/A
Exemption - Partial	\$12,801 to \$25,600	\$12,801 to \$35,000	\$10,001 to \$20,000	\$35,001 to \$46,000	N/A	\$0 to \$52,000
Deferral	\$25,601 to \$32,000	\$35,001 to \$40,000	\$20,001 to \$40,000	N/A	\$22,001 to \$38,250	\$0 to \$52,000

FISCAL IMPACT: For calendar 2000, 401 applicants participated in the Program. Of those, 178 applicants qualified for a full exemption of their real estate taxes, 219 applicants qualified for a partial exemption and 4 applicants qualified for a deferral only. In the last calendar year, the Program cost the City \$627,298, which was \$611,801 in exempted taxes and \$15,497 in deferred taxes. Staff estimates that the cost of the Program will increase by about \$123,000 to approximately \$750,000 per year as a result of the increase in Program benefits and income ceilings. Since this Program is structured as an entitlement, the City is obligated to serve all who apply and are eligible under the City ordinance.

ATTACHMENTS:

- I. Proposed Ordinance
- II. Chart of current Program compared to proposed Program
- III. E-mail dated December 15, 2000 to D. A. Neckel from Barbara A. Gilley, Chair, Alexandria Commission on Persons with Disabilities
- IV. E-mail letter to D. A. Neckel from Commission on Aging

STAFF:

Mark Jinks, Assistant City Manager
 D. A. Neckel, Director of Finance
 Hue Rim, Supervisor, Tax Services and Enforcement
 Gary Rossi, Account Clerk III, Revenue Division

Introduction and first reading:	1/09/01
Public hearing:	1/13/01
Second reading and enactment:	1/13/01

INFORMATION ON PROPOSED ORDINANCE

Title

AN ORDINANCE to amend and reordain Section 3-2-161 (DEFINITIONS), Section 3-2-163 (EXEMPTION OR DEFERRAL-ELIGIBILITY, RESTRICTIONS GENERALLY), Section 1-3-165 (EXEMPTION OR DEFERRAL-PROCEDURE FOR CLAIM) and Section 3-2-166 (EXEMPTION OR DEFERRAL-CALCULATION OF AMOUNT; LIMITATION) of Article L (REAL ESTATE TAX EXEMPTION OR DEFERRAL FOR ELDERLY OR PERMANENTLY AND TOTALLY DISABLED PERSONS), Chapter 2 (TAXATION), Title 3 (FINANCE, TAXATION AND PROCUREMENT) of The Code of the City of Alexandria, Virginia, 1981, as amended.

Summary

The proposed ordinance amends the provisions of the City Code which establish real estate tax exemptions and deferrals for elderly or permanently disabled persons, (a) to change the maximum exemption from a fixed amount to a variable amount, determined based on taxes on the average residential property, (b) to establish phased exemptions within multiple income brackets, based on a percentage of the taxes on the average residential property, and (c) to increase the overall income limits for total and partial exemptions and deferrals.

Sponsor

Staff

Mark Jinks, Assistant City Manager
Daniel A. Neckel, Director of Finance
Steven L. Rosenberg, Assistant City Attorney

Authority

§ 58.1-3210, et seq., Code of Virginia

Estimated Costs of Implementation

As stated in the attached memorandum.

Attachments in Addition to Proposed Ordinance and its Attachments (if any)

None

ORDINANCE NO. _____

AN ORDINANCE to amend and reordain Section 3-2-161 (DEFINITIONS), Section 3-2-163 (EXEMPTION OR DEFERRAL-ELIGIBILITY, RESTRICTIONS GENERALLY), Section 1-3-165 (EXEMPTION OR DEFERRAL-PROCEDURE FOR CLAIM) and Section 3-2-166 (EXEMPTION OR DEFERRAL-CALCULATION OF AMOUNT; LIMITATION) of Article L (REAL ESTATE TAX EXEMPTION OR DEFERRAL FOR ELDERLY OR PERMANENTLY AND TOTALLY DISABLED PERSONS), Chapter 2 (TAXATION), Title 3 (FINANCE, TAXATION AND PROCUREMENT) of The Code of the City of Alexandria, Virginia, 1981, as amended.

THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:

Section 1. That section 3-2-161 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-161 Definitions.

The following words and phrases shall, for the purposes of this article, have the following respective meanings, except where the context clearly indicates a different meaning:

- (1) *Applicant.* Any person who claims an exemption or deferral under section 3-2-165.
- (2) *City council.* The council of the City of Alexandria, Virginia.
- (3) *Deferral.* A deferral of the obligation to pay real estate taxes granted pursuant to the provisions of this article.
- (4) *Dwelling.* The building, or portion of a building, which is owned, at least in part, by an applicant, which is the sole residence of the applicant and which is a part of the real estate for which an exemption from or deferral of taxes is sought pursuant to this article.
- (5) *Exemption.* An exemption from the obligation to pay real estate taxes granted pursuant to the provisions of this article.
- (6) ~~Index. The Consumer Price Index for All Urban Consumers (CPI-U) (Washington-Baltimore, DC-MD-VA-WV, All Items), or such predecessor or successor index deemed applicable by the director.~~
- ~~(7) *Net combined financial worth of applicant.* The value of all assets of an applicant, of an applicant's spouse and of any other person who is an owner of and resides in the applicant's dwelling, calculated as of December 31 of the calendar year immediately preceding the taxable year; provided, that the value of the applicant's dwelling, of household furnishings in the dwelling and of up to one acre of the land on which the dwelling is situated shall be excluded.~~

(87) *Permanently and totally disabled persons.* An applicant certified as provided by section 3-2-165(d) and found by the city manager to be unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment or deformity which can be expected to result in death or can be expected to last for the duration of such applicant's life.

(98) *Relative.* Any person related by blood to an applicant who uses the applicant's dwelling as his or her principal residence.

(9) *Taxes on the average residential property.* An amount equal to the product of (i) the real estate tax rate for the taxable year, as set forth in section 3-2-181, multiplied by (ii) the average assessment for the taxable year of properties reported by the city manager, pursuant to section 3-2-235, as single-family detached, single-family semi-detached, single family-row, condominium garden, condominium high-rise, condominium townhouse, and residential cooperative.

(10) *Taxable year.* The calendar year for which an exemption or deferral is claimed.

(11) *Spouse.* The husband or wife of any applicant who resides in the applicant's dwelling.

(12) *Total combined income of applicant.* The annual gross income from all sources, calculated as of December 31 of the calendar year immediately preceding the taxable year, of the applicant, of the applicant's spouse, of any relative of the applicant who resides in the dwelling, and of any other person who is an owner of and resides in the applicant's dwelling; provided, that up to \$6,500 of the income of any such relative and up to \$7,500 of the income of any applicant, and any other owner residing in the dwelling, who is permanently disabled shall be excluded.

Section 2. That section 3-2-163 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-163 Same-eligibility, restrictions generally.

Exemptions from or deferral of real estate taxation in any taxable year shall be granted subject to the following restrictions and conditions:

(1) The total combined income for the calendar year immediately preceding the taxable year of an applicant for an exemption may not exceed \$20,000~~\$20,000~~\$35,000. Such income of an applicant for a deferral may not exceed \$25,000~~\$25,000~~\$40,000. ~~In taxable year 2000, the foregoing amounts shall be adjusted by the rate of change in the index from November of 1990 to November of 1999. In each taxable year thereafter, such amounts shall be adjusted by the rate of change in the index, from November of the calendar year two years prior to the then current taxable year, to November of the calendar year immediately preceding the then current taxable year. The adjusted amounts shall be rounded to the nearest \$100.~~

(2) The net combined financial worth of an applicant may not exceed \$195,000.

(3) As of January 1 of the taxable year, the applicant must occupy the real estate for which the exemption or deferral is sought as his or her sole residence and must be expected to so occupy the real estate throughout the year; provided, that an applicant who is residing in a hospital, nursing home, convalescent home or other facility for physical or mental care shall be deemed to meet this condition so long as the real estate is not being used by or leased to another for consideration.

(4) An applicant shall file the affidavit or written statement, or annual certification, required by section 3-2-165 no later than April 10 of the taxable year.

(5) Interest on any taxes deferred under this article shall accrue at the rate of eight percent per annum from the date by which such taxes were required to be paid to the date on which such taxes are paid in full. Any and all deferred taxes shall constitute a single lien upon the applicant's real estate as if no deferral had been granted and the taxes had been assessed but not paid. To the extent it exceeds, in the aggregate, 10 percent of the price for which such real estate is sold or, if not sold, 10 percent of its assessed value, any such lien shall be inferior to all other liens.

Section 3. That section 3-2-165 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

(a) For taxable year 2000, and every third taxable year thereafter, and not later than April 10 of the taxable year, any applicant claiming an exemption or deferral of real estate taxes under this article shall file with the city manager, in such manner as the manager shall prescribe and on forms to be supplied by the city, an affidavit or written statement providing the following:

- (1) the name and age of the applicant;
- (2) a statement whether the applicant is permanently and totally disabled;
- (3) the address of the real estate for which the exemption or deferral is claimed;
- (4) the names of the applicant's spouse and of the relatives of the applicant and any other owners of the real estate who reside in the applicant's dwelling;
- (5) the total combined income of the applicant as defined in section 3-2-161(12);
- (6) the net combined financial worth of the applicant as defined in section 3-2-161(76);
- (7) the applicant's election of an exemption or deferral; and

(8) the name and addresses of all owners of the real estate other than the owners who reside thereon.

(b) If, after audit and investigation, the city manager determines that the applicant is eligible for an exemption or deferral, the manager shall so certify to the director, who shall deduct the amount of the exemption from the applicant's real estate tax liability or defer such tax liability as herein provided.

(c) Any provision of this article to the contrary notwithstanding, ~~the city council~~ director may declare eligible to apply for an exemption or deferral any person filing the affidavit or written statement required by subsection (a), or the written certification required by subsection (f), after April 10 but before ~~June 30~~ December 15 of the taxable year, provided good cause is shown for the failure to file the affidavit, statement or certification on or before April 10 of the taxable year.

(d) Any applicant under 65 years of age claiming an exemption or deferral on the basis of a permanent and total disability shall attach to the affidavit or written statement required by subsection (a), or the written certification required by subsection (f), a certification by the Social Security Administration or, if the person is not eligible for social security, an affidavit by two medical doctors licensed to practice medicine in the commonwealth to the effect that the person is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment or deformity which can be expected to result in death or can be expected to last for the duration of the person's life.

(e) Any applicant initially claiming an exemption or deferral of real estate taxes under this article, in a taxable year other than those specifically referred to in subsection (a), shall file for such taxable year the affidavit or written statement required by subsection (a). Thereafter, such applicant shall file an affidavit or written statement, or a written certification, as required by subsection (a) or (f).

(f) For each taxable year as to which an affidavit or written statement is not required by subsection (a), the applicant shall file with the city manager, not later than April 10, a written certification, on forms to be supplied by the city, in which the applicant states that the information contained in the applicant's last filed affidavit or written statement has not changed in a manner which affects either the applicant's eligibility for an exemption or deferral under this article or the amount of the exemption or deferral. In the event that the information in the last filed affidavit or statement has changed in such a manner, the applicant shall file a new affidavit or written statement pursuant to subsection (a).

Sec. 3-2-165 Same-procedure for claim.

Section 4. That section 3-2-166 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-166 Same—calculation of amount; limitation.

(a) The exemption from or deferral of real estate taxes granted under this article for any taxable year shall be calculated as follows:

(1) when the total combined income of the applicant does not exceed ~~\$10,000~~12,800, the applicant shall be exempt from the taxes owed for the year;

(2) when the total combined income of the applicant exceeds ~~\$10,000~~12,800 but does not exceed ~~\$20,000~~25,600, the applicant shall be exempt from the taxes owed for the year, ~~or from taxes in the~~an amount of \$1,500, whichever is less~~equal to the taxes on the average residential property, as defined in section 3-2-161(9) (but in no event greater than the taxes owed for the year), and may defer all or part of the amount of such taxes in excess of \$1,500~~the amount exempted; and

(3) when the total combined income of the applicant exceeds \$25,600 but does not exceed \$30,000, the applicant shall be exempt from the taxes owed for the year, in an amount equal to seventy-five percent (75%) of the taxes on the average residential property, as defined in section 3-2-161(9) (but in no event greater than the taxes owed for the year), and may defer all or part of the amount of such taxes in excess of the amount exempted; and

(4) when the total combined income of the applicant exceeds \$30,000 but does not exceed \$35,000, the applicant shall be exempt from the taxes owed for the year, in an amount equal to fifty percent (50%) of the taxes on the average residential property, as defined in section 3-2-161(9) (but in no event greater than the taxes owed for the year), and may defer all or part of the amount of such taxes in excess of the amount exempted; and

(3~~5~~) when the total combined income of the applicant exceeds ~~\$20,000~~35,000 but does not exceed ~~\$25,000~~40,000, the applicant may defer all or part of the taxes owed for the year;

~~—provided, that if the real estate identified in the affidavit or written statement filed under section 3-2-165 is not owned solely by the applicant and his or her spouse, the amount of the tax exemption or deferral shall be either the amount of the taxes on the real estate for the taxable year times the percentage ownership interest in the real estate held by the applicant, or by the applicant and his or her spouse, or \$1,500, whichever is less.~~

(b) ~~In taxable year 2000, the amounts stated in subsection (a) above shall be adjusted by the rate of change in the index from November of 1990 to November of 1999. In each taxable year thereafter, such amounts shall be adjusted by the rate of change in the index from November of the calendar year two years prior to the then current taxable year, to November of the calendar year immediately preceding the then current taxable year. The adjusted amounts shall be rounded to the nearest \$100. Notwithstanding the provisions of subsection (a) above, if the real estate identified in the affidavit or written statement filed under section 3-2-165 is not owned solely by the applicant and his or her spouse, the amount of the tax exemption or deferral shall be~~

either the amount of the taxes on the real estate for the taxable year times the percentage ownership interest in the real estate held by the applicant, or by the applicant and his or her spouse, or an amount equal to taxes on the average residential property, as defined in section 3-2-161(9), whichever is less.

Section 5. That this ordinance shall become effective upon the date and at the time of its final passage.

KERRY J. DONLEY
Mayor

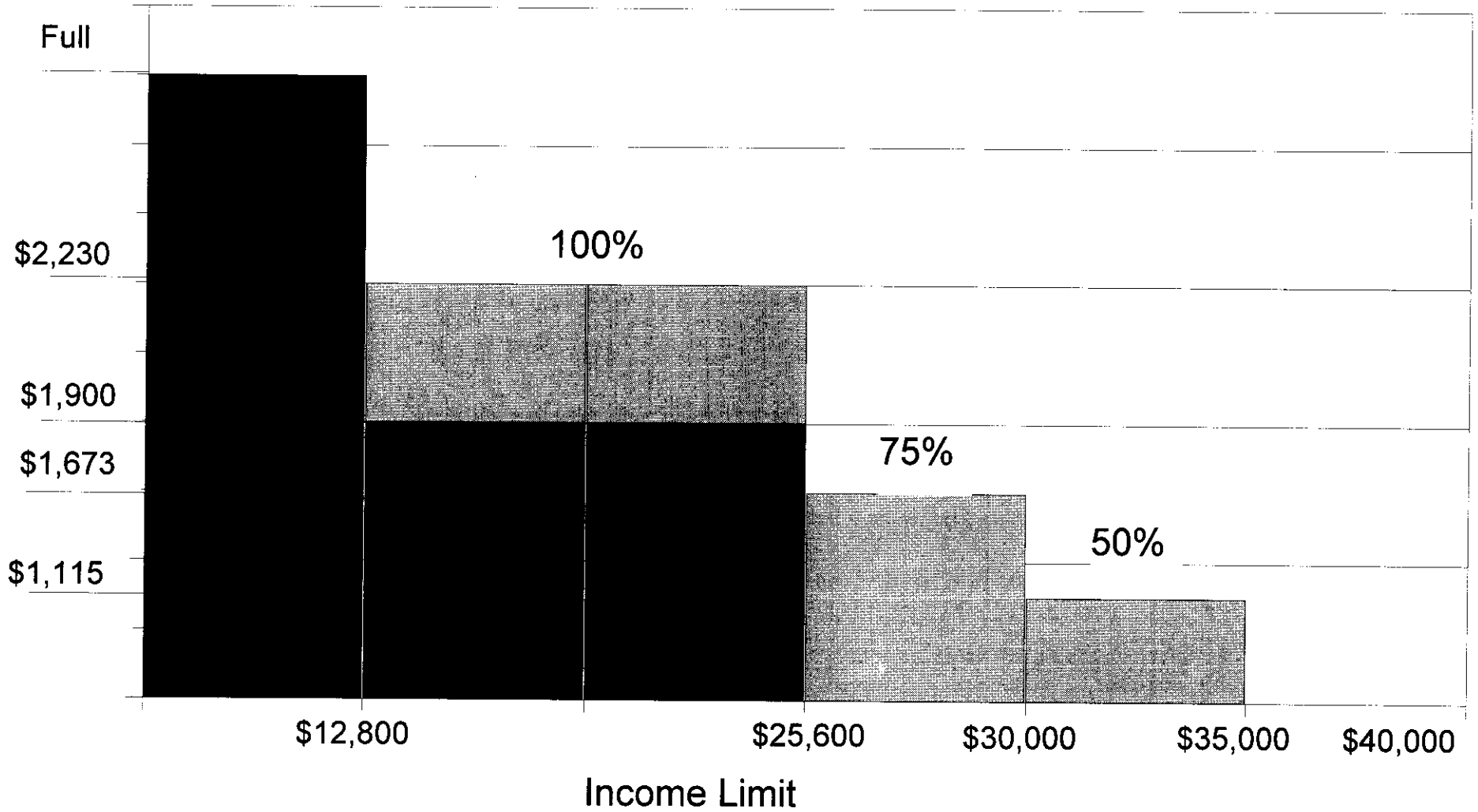
Introduction: 1/9/01
First Reading: 1/9/01
Publication:
Public Hearing:
Second Reading:
Final Passage:

N.B. Underlining is not part of the ordinance but denotes material that is new or amended. Strike-outs or dashes are not part of the ordinance but denote material that is being deleted.

Real Estate Tax Relief

Current Compared to Proposed Program

Tax Relief Benefit



Attachment II

Internet Message

DATE: December 15, 2000 11:35:46 AM
TO: Daniel Neckel@Alex
FROM: MIME:bagilley@earthlink.net
SUBJECT: Proposed Changes to the City's Tax Relief Program

December 15, 2000

Daniel A. Neckel, Director
Department of Finance
City Hall - P.O. Box 178
Alexandria, VA 22134

Dear Mr. Neckel,

Thank you for inviting the Commission on Persons With Disabilities (ACPD) to the Wednesday meeting regarding proposed changes to the City's Real Estate Tax Exemption or Deferral for Elderly or Permanently and Totally Disabled Persons. Your presentation was outstanding and enabled me to quickly understand the information I needed to know to share with my fellow Commissioners for their consideration and action.

On behalf of the ACPD, I'm pleased to report that the proposed changes were endorsed by unanimous vote at our regular meeting on December 13. Further, the Commission agreed to annually review the income limits since those will no longer be automatically adjusted to reflect the impact of inflation.

We commend and thank City staff for initiating these proposed changes that, if adopted by City Council, will help mitigate the effect of real estate tax increases on those individuals least able to afford them.

Sincerely,

/s/

Barbara A. Gilley
Chair, Alexandria Commission
on Persons With Disabilities

Copy Information:

Internet Message

DATE: January 3, 2001 04:07:20 PM
TO: Daniel Neckel@Alex
FROM: MIME:VHarik@firstunion2.com
SUBJECT: Proposed Revision to Real Estate Tax Relief Income
Limitations and Exemptions

Dear Mr. Neckel,

I am authorized by the Commission on Aging to convey our unanimous support of the proposed changes to the City's Real Estate Tax Relief program that you presented at your meeting with me on Dec. 13, 2000.

We find that, in essence, pegging the maximum exemption to the average annual real estate assessment for the City provides more equitable and more realistic tax relief to the homeowners targeted by the program than do COLA adjustments to the limitations.

Since the COLA adjustments to both the exempted tax amounts and the qualifying income levels will be done away with by the proposed revisions, our Commission will monitor the income limitations set in place now for continued relevancy in the years to come.

We appreciate the opportunity to comment on this proposal and would welcome any future opportunities there may be to be of assistance.

Please feel free to call me with any questions you or others may have on our position (703-739-4506).

Sincerely,

Vaira Harik
Commission on Aging
Chair, Sub-Committee on Income and Employment