CITY OF ALEXANDRIA
VIRGINIA

Real Estate Tax Relief
Calendar Year 2003

Real Estate Tax Relief

Current Program:

- State Code sets parameters on income, assets and other criteria
- Program serves elderly and permanently and totally disabled
- Exemption and Deferral options offered
- Program expanded in 2001 and 2002
- Further expansion proposed for 2003

Real Estate Tax Relief

Current Program:

Full Exemption	$0 to $12,800
100% Exemption	$12,801 to $25,600
75% Exemption	$25,601 to $30,000
50% Exemption	$30,001 to $35,000
Asset Limit	$195,000
Family Deduction	$6,500@ person
Cost = $1,100,000 per year	

Real Estate Tax Relief

Program Proposed in February:

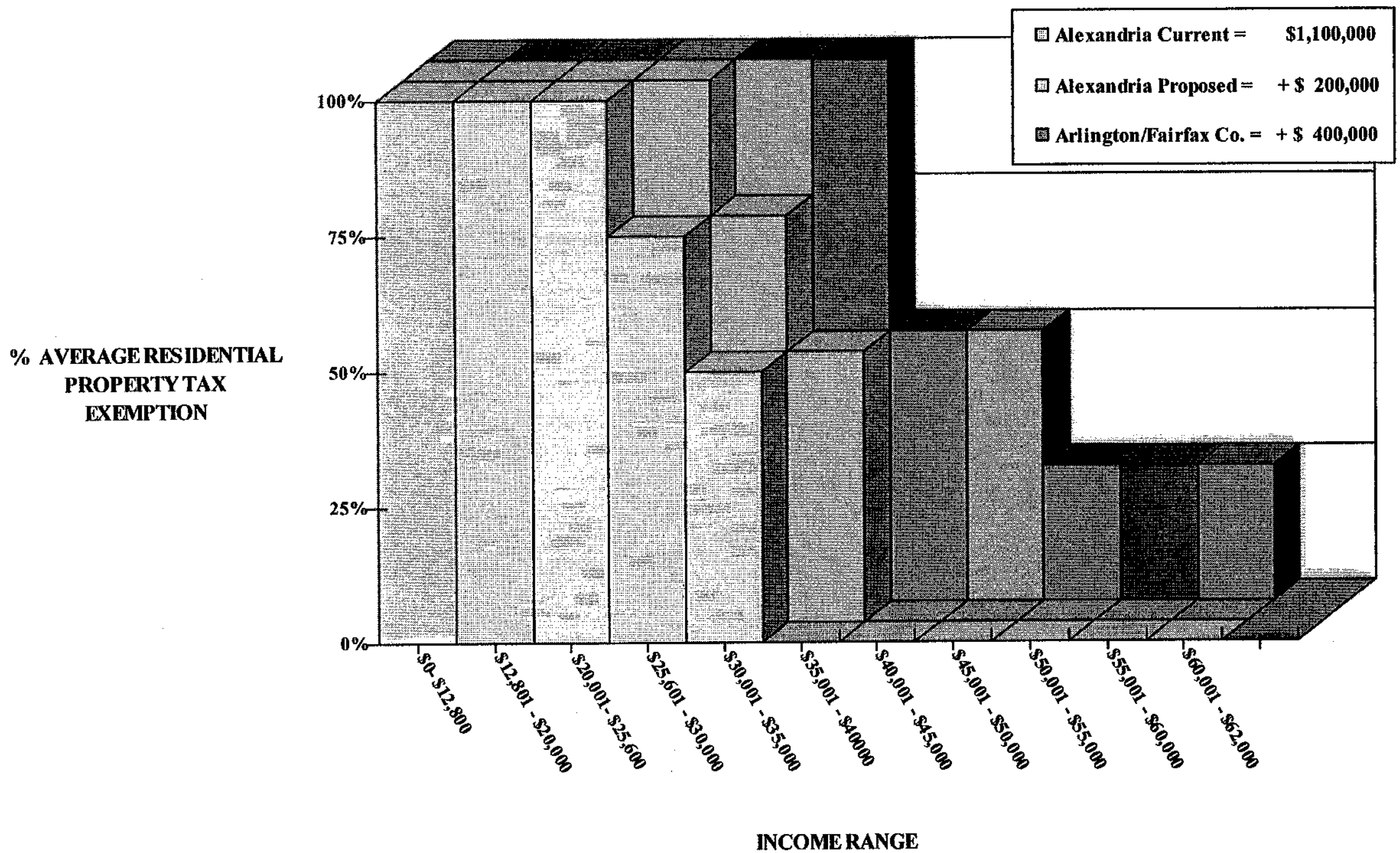
Full Exemption	$0 to $20,000
100% Exemption	$20,001 to $30,000
75% Exemption	$30,001 to $35,000
50% Exemption	$35,001 to $40,000
Asset Limit	$240,000
Family Deduction	$8,500
Cost = + $200,000 per year	

Real Estate Tax Relief

Council Discussion in February:

- Consider expanding further to Fairfax and Arlington levels
- Consider expanding deferrals for a broader group of taxpayers
- Need Council direction for April public hearing and decision

Real Estate Tax Relief For Elderly & Disabled – Jurisdictional Comparison



Real Estate Tax Relief

Tax Deferral Program:

- State Code authorized
- No jurisdiction has implemented
- No income parameters set by the State Code
- Deferral of tax bill increases of over 105% allowed, higher percentage permitted
- IRS interest rate applies and changes frequently

Real Estate Tax Relief

Tax Deferral Program Issues:

- Income Limits
- Deferral of amounts over 105%? 110%?
- Budget Impact
- Administration
- Costs–vs–Benefits

Real Estate Tax Relief

Tax Deferral Program Option:

- Residential and owner-occupied
- Deferral of over 110%
- Income Limits
- Adjust income limits by household size
- Most recent income tax returns for eligibility screening

Tax Deferral Program Options

Option: Defer Real Estate Taxes in excess of 110% of last year's tax bill.

Limits for Family of Two	Number of Potential Homeowners	Deferred Tax if 20% of Eligible Use
HUD Very Low Income ($34,800)	1,800	$100,000
HUD Low Income ($45,200)	2,300	$150,000
80% Median Family Income ($55,700)	2,800	$185,000

- Income limits increased by $4,000 for each additional dependent.
- Administrative Cost of Program estimated at $75,000 per year.

Administrative Requirements with Tax Deferral Program

- Need to establish a promotional program to inform citizens
- Since most tax bills are sent to mortgage companies; any mailing would need to go to 21,500 residential property owners
- Tax bills to participants must be prepared and adjusted manually
- Interest calculation is complex

Administrative Requirements with Tax Deferral Program continued..

- Program will require the generation and maintenance of large spreadsheets
- Staff must manually calculate tax deferral, update participant spreadsheet, update City's tax receivable system and type revised tax bills for each participant
- Program will require additional staff
- Mortgage and tax service companies may not permit tax deferral

City of Alexandria, Virginia

13
2-22-03

MEMORANDUM

DATE: FEBRUARY 21, 2003

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER ps

SUBJECT: ADDITIONAL INFORMATION CONCERNING THE PROPOSED ORDINANCE (a) TO CHANGE THE INCOME AND ASSET LIMITS FOR FULL AND PARTIAL REAL ESTATE TAX EXEMPTIONS UNDER THE CITY'S REAL ESTATE TAX RELIEF PROGRAM FOR ELDERLY OR PERMANENTLY AND TOTALLY DISABLED PERSONS AND (b) TO INCREASE THE DEDUCTION ALLOWED FOR A FAMILY MEMBER LIVING IN THE HOUSEHOLD

ISSUE: Consideration of additional information concerning the proposed ordinance to change the income and asset limits for full and partial real estate tax exemptions under the City's Real Estate Tax Relief Program for the Elderly or Permanently and Totally Disabled Persons and to increase the deduction allowed for a family member living in the applicant's household.

RECOMMENDATION: That City Council receive this additional information. As noted below, staff can make administrative changes to the Real Estate Tax Deferral Program for the Elderly and the Disabled to permit a partial deferral of real estate taxes if desired by the taxpayer.

I do not recommend that Council implement a real estate tax deferral program for persons other than the elderly and disabled.

DISCUSSION: During the February 11 City Council Meeting, Councilwoman Woodson requested a description of the various options available for deferral of real property taxes and Councilman Euille requested that staff provide the rational for the various income brackets used in the proposed ordinance.

Real Estate Tax Deferrals other than Tax Relief for the Elderly or Totally Disabled

The Code of Virginia, section 58.1-3219 provides localities the authority to implement a real estate deferral program for all property owners whose real estate taxes exceed 105 percent of the previous year's tax. Localities have had the authority to institute this deferral through an ordinance since 1990. However, staff surveyed over 30 of the largest jurisdictions in the state and none has enacted an ordinance under this provision. Some of the jurisdictions surveyed include Fairfax County, Arlington County, Prince William County, Loudoun County, the City of Richmond, Henrico County, Virginia Beach, and the City of Chesapeake.

The Code allows localities to establish a formula to provide relief to taxpayers whose taxes have increased by at least 105 percent. The formula can also be established at a rate higher than 105%, (for example, 110% or 120%). In accordance with the Code, persons who have delinquent real estate taxes would be ineligible for the deferral program, and real estate devoted to open space use would be ineligible for deferral.

In considering whether or not a tax relief program other than tax relief for the elderly and disabled should be implemented, a number of items must be considered:

1. The State Code allows localities to determine whether the deferral program would apply to all property (i.e., residential and commercial property) or only to just real estate occupied as the sole dwelling of the taxpayer;

2. The program could be offered to a definite class of owners based on income. If based on income, parameters and the rationale for the parameters would need to be established.

3. The State Code stipulates that real estate taxes deferred under this type of program shall be subject to interest computed at the rate established pursuant to § 6621 of the Internal Revenue Code. Under the provisions of this statute, the rate of interest is the federal short term rate plus three percentage points and is determined on a quarterly basis. This interest rate has changed a total of seven times since January 1, 1999 with four of those changes occurring between January 1, 2001 and January 1, 2002. As a result, it is anticipated that, because real estate taxes deferred under this program will be subject to varying interest rates over a period of several years, administration of this program would be somewhat complicated and confusing, and a detailed explanation of the resulting tax liability to the owner when a property is sold may prove to be challenging.

4. Importantly, the program would make revenue forecasting uncertain and budgeting difficult. Also, this type of deferral could skew the City's revenue intake significantly since every property taking a deferral in year one would not have an identified and predictable time when the revenue would be collected. It could take 4 to 7 years to collect or 13 to 44 years, depending on the age and the health condition of the property owner. In effect, the City would lose control of the time when a substantial amount of revenue is collected, and we would have no basis to estimate the revenue we would receive in future years from the payment of earlier deferred taxes.

5. The City would have to estimate General Fund revenues more conservatively, thus keeping what can be budgeted for less, in order to account for the major uncertainty of revenue.

6. The bond rating agencies would likely have a major concern about any broadly applied program that would allow the deferral of real estate taxes to the general population. The City's top AAA/Aaa bond ratings, and its general obligation bond pledge rely on the real estate tax base and the revenues it produces. Therefore, any major limitation on real estate tax revenues may negatively impact the bond rating agencies' view of the City's credit position.

7. In considering expanding real estate tax relief, the fact that one needs to keep in mind from a public policy perspective is that a program expansion will only benefit homeowners (many of whom have no mortgage, have non-real estate assets of up to $240,000, and can have incomes up to $62,000) and will not benefit lower income renters (whose rents are generally market driven and not influenced by local real estate taxes). From an equity point of view, it may be more appropriate to increase senior citizen and disabled rent relief income limits, or to expand that program to serve low-income tenants regardless of age or disability. The current rent relief program income scale and monthly monetary benefits are:

Income	Monthly Benefit
0 - $12,800	$200
$12,801 - $15,000	$175
$15,001 - $18,000	$150
$18,001 - $21,000	$125
$21,001 - $25,600	$100

Taxes Deferred by Elderly or Totally Disabled Persons

The City already offers the maximum deferral of $62,000 permitted by State Code for tax relief to the elderly and disabled. The City is permitted by State Code Section 58.11-3211 to exempt or defer the real property tax bill of citizens who meet certain requirements including having an income of $62,000 or less. Under the City's current program, a qualified elderly or totally disabled person can defer real estate taxes until they are deceased or the property is sold. As a result, any elderly or disabled homeowner with an income up to $62,000 already has the ability to have their taxes deferred or exempted.

During the Council meeting, the question was asked if the City permitted taxpayers, who meet the eligibility requirements, to defer a portion of their taxes and pay a portion of their taxes. Staff has not structured the program to initially establish a partial deferral but such a program is permissible without changing the City code or developing any additional computer programming. Staff will change procedures to inform the elderly and disabled that the program does permit a partial deferral for those that can make some payment of their real property tax bill.

There are some residents who do enjoy the benefits of the real estate tax deferral program. In fact, we have elderly citizens who apply for and are granted a full deferral of their taxes on the day taxes are due, and will then make payment against their deferred taxes throughout the year whenever they can afford to do so. There are, however, a number of elderly taxpayers who are eligible for deferral that have stated that they do not want to leave their heirs with the burden of deferred real estate taxes. This is a pattern that other jurisdictions in Northern Virginia have also noted. Establishing an actual policy, which allows the elderly and the disabled the option of paying a portion of their deferred taxes when they wish to do so, may alleviate some of the concerns these taxpayers have and encourage more individuals to participate in the elderly and disabled tax deferral program

Elderly and Disabled Real Estate Tax Relief Income Brackets

The following criteria was used to establish the income brackets for the tax relief program. First, staff decided to establish the income brackets in even \$5,000 increments instead of using federal housing assistance limits, percentage of median income limits, or other mathematically derived limits to make it easy for the elderly and disabled to understand. Next, staff considered both the cost and the number of applicants that would be affected if the income limit to obtain a full exemption was moved from the current base of \$12,500 to \$20,000, \$25,000, \$30,000, \$35,000 or \$40,000. Staff also considered the cost of granting various partial exemptions for the taxpayers who had income between the full exemption limit and at \$40,000. Staff did not examine the effects of increasing the income limits for full exemption above \$40,000 because a higher income limit for full exemption is not comparable to the limits imposed by other Northern Virginia jurisdictions. The costs of the various options consider by staff ranged from approximately \$1.2 million to \$1.4 million. Program costs for the City this past year were approximately \$1.0 million. It is estimated that providing a full exemption at the \$20,000 income level would increase the program cost by approximately \$200,000. Providing for a full exemption at \$40,000 would increase costs by at least \$400,000 per year.

Our analysis showed that a majority of the participating applicants would benefit from increasing the income limit for a full exemption from \$12,800 to \$20,000. Under this recommended proposal, over 60 percent of the applicants who applied for the program in 2002 would have received a full exemption. Also, by increasing the income limit to receive an exemption equal to 100% of the average residential property tax from \$25,600 to \$30,000, an additional 148 taxpayers or 26 percent of the program's applicants would qualify for the exemption. Approximately 73 percent or 107 of these 148 taxpayers would receive a tax exemption equal to their total tax bill since the taxes on their homes were less than the average residential property tax bill. The assessed value of the homes of the remaining taxpayers who qualified for the maximum amount of partial exemption ranged from just over the average value of \$308,876 to approximately \$650,000.

Under the proposed ordinance, the taxpayers who did not receive an exemption equal to their full tax bill are given the option to defer the portion of the tax that exceeded the exemption they received. Of the 64 qualified taxpayers in last year's program with incomes exceeding \$30,000, 41 would receive a tax exemption equal to 75% of the average residential property tax and 12 would receive a 50% exemption. The remaining eleven taxpayers whose incomes were between \$40,001 and \$62,000 would be able to defer their taxes. If Council moves the income level to \$20,000 for a full exemption, 81% of the qualified taxpayers, based on last year's applications, would receive a tax exemption equal to their complete tax bill at a estimated additional cost to the City of $200,000. A $40,000 income limit for a full exemption would have allowed 98% of the qualified taxpayers to receive a exemption equal to their complete tax bill at a estimated increase in cost of at least $400,000 per year. All of these cost increase estimates are speculative, as expanded program eligibility will result in some unknown level of additional applications. Staff recommended the $20,000 income limit in order to moderate program costs.

FISCAL IMPACT: The fiscal impact for the deferred tax programs cannot be determined with any degree of accuracy because such programs are entitlement programs and their cost depends on the number of people that apply for a deferral. Because the City and other Virginia jurisdictions have no experience in providing real estate tax deferrals for those who do not qualify as elderly or totally disabled (i.e., the general population), staff has no clear method to estimate of the actual cost of such a program. If a tax deferral program was established for taxes in excess of 105% of the previous years tax bills on just residential property and all taxpayer took advantage of the program, City revenues would be reduced by as much as about $20 million (per calendar year) at the current tax rate. If the limitation was increased to 110% and everyone took advantage of the program, City revenues would be reduced by about $15 million, and if the limitation was increased to 120% and everyone took advantage of the program, City revenues would be reduced by about $5 million. If half of the eligible population took advantage of the program, the revenue losses would drop by half.

The City already permits the deferral of taxes to the maximum amount permitted by State Code for taxpayers in the Tax Relief For The Elderly and Disabled Program. Staff believes that cost will not significantly change when the elderly and disabled are informed that participants in the program are permitted to defer only a portion of their tax liability.

If City Council wishes to expand property tax relief (beyond the current senior citizens and those who are permanently and totally disabled) to the general population (or general low-income population), staff recommends that City Council give one or more general parameters and staff will come back to Council as part of the FY 2004 budget process with options. This will give staff more time to research and cost options. Any resulting ordinance could be written to ensure any expanded eligibility occurring during the current calendar year. If City Council wished to expand rent relief, such as to benefit low-income renters, then staff could prepare options for City Council consideration also during its FY 2004 budget deliberations.

STAFF:
Mark Jinks, Assistant City Manager
D. A. Neckel, Director of Finance
Debbie Kidd, Division Chief, Revenue
Gary Rossi, Revenue Collection Specialist II

City of Alexandria, Virginia

15
2-11-03

MEMORANDUM

DATE: FEBRUARY 6, 2003

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER PS

SUBJECT: ORDINANCE (a) TO CHANGE THE INCOME AND ASSET LIMITS FOR FULL AND PARTIAL REAL ESTATE TAX EXEMPTIONS UNDER THE CITY'S REAL ESTATE TAX RELIEF PROGRAM FOR ELDERLY OR PERMANENTLY AND TOTALLY DISABLED PERSONS AND (b) TO INCREASE THE DEDUCTION ALLOWED FOR A FAMILY MEMBER LIVING IN THE HOUSEHOLD

ISSUE: Consideration of an ordinance to change the income and asset limits for full and partial real estate tax exemptions under the City's Real Estate Tax Relief Program for the Elderly or Permanently and Totally Disabled Persons and to increase the deduction allowed for a family member living in the applicant's household.

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 February 22, 2003. The proposed ordinance would accomplish the following:

- Increase the maximum income limit to qualify for a full real estate tax exemption under the Real Estate Tax Relief Program from the current $12,800 to $20,000;

- Change the income limits to qualify for the maximum exemption equal to 100% of the average property tax for residential properties in the City from the current $25,600 to $30,000;

- Change the income limits to qualify for a partial exemption equal to 75% of the maximum exemption amount from the current $30,000 to $35,000;

- Change the income limits to qualify for a partial exemption equal to 50% of the maximum exemption amount from the current $35,000 to $40,000;

- Continue to offer a deferral of real estate taxes for qualified applicants with total income that does not exceed $62,000;

- Increase the asset eligibility limits for the Real Estate Tax Relief Program from $195,000 to the new state limit of $240,000;
- Increase the deduction allowed for a family member living in the household from $6,500 to the new state limit of $8,500.

DISCUSSION: In recent years the value of residential property has increased at a rate much greater than the rate of inflation. As a result, many of the elderly and disabled who participate in the Real Estate Tax Relief Program have seen their potential real estate tax bill increase. To address this trend, in January 2001, City Council enhanced the City's Real Estate Tax Relief Program to (1) change the maximum exemption from a fixed amount to an increased variable amount, based on the average residential tax bill, (2) establish new higher exemptions within multiple income brackets, based on a percentage of the taxes on the average residential property, and (3) increase the overall income limits for total and partial exemptions and deferrals.

In March 2002, City Council again enhanced the Program to (1) increase the income limit for a deferral of real estate taxes from $40,000 to $62,000 and (2) decrease the interest rate on deferred real estate taxes from eight percent to five percent. In CY 2002, the average residential real estate tax bill was $2,684 based on an average assessment of $248,563. For CY 2003, it is expected that the average assessment will increase substantially and therefore expansions of the real estate tax relief program are recommended.

COMPARISON WITH OTHER JURISDICTIONS:

Staff surveyed the Real Estate Tax Relief Programs of neighboring jurisdictions. Program designs vary. The following chart illustrates the basic limits on income for an applicant to qualify in each jurisdiction. It should be noted that Alexandria and Arlington allow all amounts not exempted to be deferred, while Fairfax County, Prince William and Loudoun do not.

Real Estate Tax Relief
Income Eligibility and Benefit Range

	Alexandria Current	Alexandria Proposed	Arlington	Fairfax County	Prince William	Loudoun
Tax Relief Benefit	Income	Income	Income	Income	Income	Income
Exemption - Full	$0 to $12,800	$0 to $20,000	$0 to $39,585	$0 to $40,000	$0 to $36,400	$0 to $62,000
Exemption - Partial	$12,801 to $35,000	$20,001 to $40,000	$39,586 to $62,000	$40,001 to $52,000	$36,401 to $52,800	N/A
Full Deferral Only	$35,001 to $62,000	$40,001 to $62,000	N/A	N/A	N/A	N/A
2002 Cost ($ in millions)	$1.0	N/A	$1.1	$8.9	$1.7	$1.7

For 2003 the increase in income limits will provide a greater benefit to currently participating households, as well as encourage more City households to apply. Changes to asset limits and family member deduction amounts are proposed to match that now allowed by state law.

COMPARISON OF EXEMPTION DISTRIBUTION UNDER PROPOSED REAL ESTATE TAX RELIEF PROGRAM MODIFICATIONS:

For calendar year 2002, 558 complete tax relief applications were received. Of those, 162 applicants qualified for a full exemption of their real estate taxes, 373 applicants qualified for a partial exemption, 7 applicants were qualified for a deferral only and 16 applicants did not qualify for tax relief. Of the 373 applicants that qualified for partial exception, 14 applicants requested and had a remaining balance to be deferred. In the last calendar year, the Real Estate Tax Relief Program cost the City $969,146 in exempted taxes and $33,796 in deferred taxes.

The following chart illustrates distribution of exemptions granted to applicants for the 2002 Real Estate Tax Relief Program:

2002 Tax Relief Program

	Income Range	Applicants
Full Exemption	<$12,800	162
100% of Average Residential Property Tax Exemption	$12,801-$25,600	285
75% of Average Residential Property Tax Exemption	$25,601-$30,000	47
50% of Average Residential Property Tax Exemption	$30,001-$35,000	41
Deferral Only	$35,001-$62,000	7
Exemptions Denied	>$35,000	**23**
Total Exemptions	<$35,001	**535**
	Grand Total	**558**

The following chart illustrates what the distribution of exemptions to the 558 qualified applicants in the 2002 Program would be under the proposed ordinance changes:

Modified Program With Full Exemptions for Applicants With Income <$20,000

	Income Range	Applicants
Full Exemption	<$20,001	346
100% of Average Residential Property Tax Exemption	$20,001-$30,000	148
75% of Average Residential Property Tax Exemption	$30,001-$35,000	41
50% of Average Residential Property Tax Exemption	$35,001-$40,000	12
Deferral Only	$40,001-$62,000	11
Total Exemptions	<$40,001	**547**
	Grand Total	**558**

FISCAL IMPACT: It is expected that the increased assessments will result in an increase in the program's benefits this calendar year. Since this program is structured as an entitlement, the

City is obligated to serve all who apply and are eligible under the City ordinance, and with the proposed changes it is likely that more City households will apply and qualify for this program. While the exact cost of the proposed ordinance changes are unknown, the estimated cost is $200,000 per year. Nearly all of the increased costs will relate to increased income ceilings, with the increased asset and family member deductions having very little fiscal impact. However, because data is not available, staff cannot determine with certainty the number of additional residents who may apply in response to the increase in real estate tax bills and changes made in eligibility income limits.

It should be noted that at the time of the sale of the residence, any deferred amounts plus interest are repaid to the City from the sale proceeds. Of the 558 applicants who qualified for tax relief under the 2002 Tax Relief Program, 4% requested and obtained a partial or total deferral of real estate taxes. It is estimated that this percentage will remain the same regardless of changes made to the Tax Relief Program for 2003.

<u>ATTACHMENTS</u>:
Attachment I: Proposed Ordinance

<u>STAFF</u>:
Mark Jinks, Assistant City Manager
D. A. Neckel, Director of Finance
Debbie Kidd, Division Chief, Revenue
Cassandra Lewis, Revenue Collection Specialist III
Gary Rossi, Revenue Collection Specialist II

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2-11-03

Introduction and first reading:	2/11/03
Public hearing:	2/22/03
Second reading and enactment:	2/22/03

INFORMATION ON PROPOSED ORDINANCE

Title

AN ORDINANCE to amend and reordain Section 3-2-161 (DEFINITIONS), Section 3-2-163 (SAME--ELIGIBILITY, RESTRICTIONS GENERALLY), and Section 3-2-166 (SAME--CALCULATION OF AMOUNT; LIMITATION), all 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 adjusts the income and net worth limits for the exemption from, or deferral of, the city's real estate taxes for elderly or disabled taxpayers, by raising the existing limits.

Sponsor

Staff

Daniel A. Neckel, Director of Finance
Ignacio B. Pessoa, City Attorney

Authority

§ 58.1-3213, Code of Virginia

Estimated Costs of Implementation

None

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

None

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2-11-03

ORDINANCE NO. ______

AN ORDINANCE to amend and reordain Section 3-2-161 (DEFINITIONS), Section 3-2-163 (SAME--ELIGIBILITY, RESTRICTIONS GENERALLY), and Section 3-2-166 (SAME--CALCULATION OF AMOUNT; LIMITATION), all 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) 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.

(7) 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.

(8) Relative. Any person related by blood <u>or marriage</u> to an applicant who uses the applicant's dwelling as his or her principal residence, <u>other than a spouse</u>.

(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~~ <u>$8,500</u> 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 $35,000. Such income of an applicant for a deferral may not exceed $62,000.

(2) The net combined financial worth of an applicant may not exceed ~~$195,000~~ <u>$240,000</u>.

(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 five 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 3-2-166 of The Code of the City of Alexandria, 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 ~~$12,800~~ $20,000, the applicant shall be exempt from the taxes owed for the year;

(2) when the total combined income of the applicant exceeds ~~$12,800~~ $20,000 but does not exceed ~~$25,600~~ $30,000, the applicant shall be exempt from the taxes owed for the year, in an amount 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 the amount exempted; and

(3) when the total combined income of the applicant exceeds ~~$25,600~~ $30,000 but does not exceed ~~$30,000~~ $35,000, the applicant shall be exempt from the taxes owed for the year, in an amount equal to 75 percent 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~~ $35,000 but does not exceed ~~$35,000~~ $40,000, the applicant shall be exempt from the taxes owed for the year, in an amount equal to 50 percent 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

(5) when the total combined income of the applicant exceeds ~~$35,000~~ $40,000 but does not exceed $62,000, the applicant may defer all or part of the taxes owed for the year.

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(b) 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 4. That this ordinance shall become effective upon the date and at the time of its final passage, and shall apply to real estate tax levied and collected for calendar year 2003, and subsequent years.

KERRY J. DONLEY
Mayor

Introduction:	2/11/03
First Reading:	2/11/03
Publication:	
Public Hearing:	
Second Reading:	
Final Passage:	

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