



ARLINGTON COUNTY, VIRGINIA

County Board Agenda Item
Meeting of April 22, 2006

Date: April 17, 2006

SUBJECT: Real Estate Tax Relief for Elderly and Disabled Persons

C. M. RECOMMENDATION:

Advertise for a public hearing on May 20, 2006 on amendments to Chapter 43 of the Arlington County Code, Real Estate Tax Relief for the Elderly, to:

- a. Adopt a change in the income standard allowing the maximum allowed by State Code, by household size, effective January 1, 2006.
- b. Adopt a change to assets allowed for an exemption to \$340,000 effective January 1, 2006.
- c. Adopt a change to the income disregards to eliminate the disregard for disabled homeowners and to increase the income disregard for non-owner relatives in the home to \$10,000, effective January 1, 2006.
- d. Adopt a change to assets allowed for an exemption to \$540,000 effective January 1, 2007.
- e. Adopt a change to eliminate the provision that nullifies an exemption or deferral when a change occurs during the year that renders a homeowner ineligible, thereby allowing for prorating of relief for the period of eligibility prior to the change.

ISSUE: Should the County increase Real Estate Tax Relief income and asset standards, as allowed by state code, to provide additional tax relief to eligible County households?

SUMMARY: Arlington currently uses the income maximum on a graduated basis and it is based on a single person household. State code allows Arlington to use either \$72,000 or the median income for married taxpayers in the County (currently \$77,407) as the maximum income level. This proposal recommends using the greater of these limits and to base income eligibility on households' size. It is recommended that the asset limit for exemptions be raised to the current maximum of \$340,000 for an exemption. During the 2006 session, the General Assembly increased the asset maximum, which pertains to Arlington County, from \$340,000 to \$540,000 effective July 1, 2006, which is recommended for the 2007 tax year. Proposed is increasing the income disregard for non-owner relatives living with applicants to the maximum of \$10,000, in line with other Northern Virginia jurisdictions and eliminating from Code the income disregard

County Manager: _____

County Attorney: _____

Staff: Walter Zaumseil, Economic Independence Division, DHS

for disabled homeowners (not allowed under the new calculation of income). Another provision in Code that should be changed is the disqualification for relief for the whole tax year based on a change that renders the homeowner ineligible. In such a situation, it is correct to prorate their relief for the period the homeowner was eligible.

Staff recommends these changes to provide additional relief to low and moderate income, elderly or disabled homeowners. These homeowners mostly live on fixed incomes and continue to be impacted by the effect of rapidly rising real estate assessments in Arlington (18 percent average since the last year).

DISCUSSION: The amount of relief allowed by the Real Estate Tax Relief program is limited by state code. Arlington currently provides tax exemptions for households up to \$72,000 in income and \$240,000 in assets. For households with assets above \$240,000 but less than \$340,000, only a deferral of the real estate tax is allowed. State code allows Arlington to use either \$72,000 or the median income for married taxpayers in the County (the latest being \$77,407) as the maximum income level. Arlington also uses the income maximum on a graduated basis and is based on a single person household. A change is recommended to use the maximum income allowed by state code and to base relief on the size of the homeowner household.

The current two level asset maximum, one for exemptions (\$240,000) and a higher level (\$340,000) for a deferral only of real estate tax is recommended to be replaced with a single, higher, standard, thus eliminating the little used deferral only option. Only 15 homeowners, out of 767, used this option in 2005. During its 2006 session, the General Assembly increased the asset maximum, for Arlington, from \$340,000 to \$540,000 effective July 1, 2006. This proposal also recommends adopting the newly authorized asset maximum to be effective January 1, 2007 for the 2007 tax year.

Other local jurisdictions currently disregard up to \$10,000 of income for disabled homeowners and of non-owner relatives residing in the property for which relief is sought. Arlington's current maximum is \$6,500. An increase to the allowable maximum is requested and would bring the County into line with other Northern Virginia jurisdictions for non-owner relatives. The permanent disability compensation disregard, currently \$7,500, is not allowed for Arlington under the new method of calculating income and is being deleted.

Real estate assessments have continued to increase at a high rate in the region over the last six years (2000 to 2006). For Arlington, the average residential assessment has increased 167 percent. Inflation adjustments to pensions, where available, are frequently governed by the Consumer Price Index (CPI). During the same period the CPI and Social Security income increased 15.2 percent.

Year	Average Residential Assessment	Tax Rate	Average Tax	Percent Change
2000	\$202,770	\$1.023	\$2,074	-
2001	\$224,390	\$1.023	\$2,296	11%
2002	\$269,500	\$0.993	\$2,676	17%
2003	\$316,000	\$0.978	\$3,090	15%
2004	\$369,600	\$0.958	\$3,541	15%
2005	\$458,200	\$0.878	\$4,023	14%
2006*	\$541,800	\$0.818	\$4,432	10%

*At the new tax rate

The Real Estate Tax Relief program was updated in 2001, 2002 and 2005 to address the effects and impact on taxpayers of increasing assessments. The benefit amount was increased, and the income and asset limits were also increased. The chart below details the additional tax relief provided during this period. The recommended change to the Real Estate Tax Relief brings the County more in line with the level of relief granted by other jurisdictions in northern Virginia. See APPENDIX A for comparisons.

Year	Households Served	Total Relief Provided	Average Benefit	Average Benefit Change
2000	224	\$326,626	\$1,458	-
2001	259	\$478,357	\$1,847	27%
2002	482	\$1,088,084	\$2,257	22%
2003	668	\$1,671,946	\$2,503	11%
2004	721	\$2,038,444	\$2,827	13%
2005	767	\$2,463,449	\$3,212	14%
2006 (no change)	813	\$2,739,029	\$3,662	14%
2006 (with change)	1,049	\$3,589,029	\$3,421	-7%

Note: The lower average benefit resulting from the change is because the additional households qualify for a lower benefit based on their higher incomes.

FISCAL IMPACT: At the current tax rate, this change would result in an estimated \$850,000 in reduced revenue. The income increase will allow 21 additional households to participate. The asset adjustment will allow an additional 215 households to participate.