ARLINGTON
VIRGINIA

REAL ESTATE TAX RELIEF WORKING GROUP
LITERATURE REVIEW/BEST PRACTICES

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REAL ESTATE TAX RELIEF RATIONALE

- “The **property tax can be particularly burdensome**… for families of limited means who have experienced house price increases that have outstripped increases in their incomes, or for those whose income has declined due to layoff, retirement, divorce, or illness” (Bowman, Kenyon, Langley, and Paquin, 2009).
- “It has long been recognized that the burden of property taxes **saddles the elderly** in a different way than it does younger taxpayers” (Meyer, 2004).
- “Retirement often brings a sharp drop in income and the costs of maintaining a home can be a significant financial burden… [that] **forces [older homeowners] to sell and seek less desirable housing elsewhere**…” (Christopherson, 2005).
- “The fact that so many elderly live on **fixed incomes** ‘renders them particularly vulnerable to increasing tax liabilities.’ Often property taxes are the only expenses that continue to increase for the elderly after retirement. These factors are increasingly leading to many elderly being forced to leave their homes because they can no longer afford to live in the communities in which they have spent years, or even decades” (Meyer, 2004).

REAL ESTATE TAX RELIEF RATIONALE (CONTINUED)

- According to Matthew Meyer, there are many justifications for providing older homeowners with property tax relief:
  - Psychological benefits to homeowners
  - Health benefits to homeowners
  - Aids in recovery from illness or injury
  - Social services savings
  - School savings
  - Neighborhood security
  - Age-integrated communities

REAL ESTATE TAX RELIEF IN VIRGINIA

Virginia is a Dillon Rule state – local governments only have those powers that are specifically conferred on them by the Virginia General Assembly, are necessarily or fairly implied from a specific grant of authority, or are essential to the purposes of government.

TYPES OF REAL ESTATE TAX RELIEF IN VIRGINIA

- Local governments in Virginia have the ability to operate the following Real Estate Tax Relief programs:

Arlington DHS

- **Local-Option Relief for Elderly and Disabled Homeowners**– allows for an exemption, deferral, or combination of the two, of real estate taxes for qualified homeowners who are 65 years of age or older, or totally and permanently disabled. Local governments may establish income and financial worth limitations.
- **Local-Option Relief for Other Homeowners** – allows for a deferral on real estate taxes in excess of 105% of the previous year’s tax for any homeowner except those eligible for the Local-Option Relief for Elderly and Disabled Homeowners.

Arlington Department of Real Estate Assessments

- **Relief for Disabled Veterans** – allows for a full exemption of real estate taxes for disabled veterans with a 100% service-connected, permanent and total disability. Surviving spouses are also eligible as long as the death of the veteran occurs on or after January 1, 2011, they do not remarry, and they continue to occupy the property as their primary residence.

TYPES OF REAL ESTATE TAX RELIEF IN VIRGINIA (CONTINUED)

Arlington
Department of Real
Estate Assessments

- **Relief for Surviving Spouses of Members of the Armed Forces Killed in Action** - allows for exemption from real estate taxes for surviving spouses of members of the armed forces killed in action, as long as the surviving spouse does not remarry, they continue to occupy the property as their primary residence, and the dwelling's assessed value is not in excess of the jurisdiction's average assessed value for the current year.
- **Other** – several Virginia localities (including Alexandria and Charlottesville) have "gained authority to offer property tax relief to some homeowners who are not elderly or disabled… [by] provid[ing] a property tax credit that varies with household income and size" (Bowman, 2006).

REAL ESTATE TAX RELIEF PROGRAMS IN OTHER STATES – A SAMPLE

- *Hawaii* – requires that a **minimum tax amount** be paid, even in cases in which property taxes impose a heavy burden.
- *Colorado, Massachusetts, Missouri, Wisconsin* – variations of the “Property Tax Work-Off Program” allow homeowners and/or homeowners with a disability to **perform work for the taxing entity in lieu of some or all real estate taxes due**.
- *Florida* – provides an exemption to military personnel **deployed on active duty** outside the continental United States, Alaska, or Hawaii.
- *Michigan* – provides an exemption to homeowners meeting the **federal poverty guidelines**, with wealth limits set locally.
- *New York* – provides an exemption to **clergy**, retired clergy over 70 years old, clergy unable to work due to disability, or the un-remarried surviving spouse of such a member of the clergy.
- *Maryland* – grants a tax credit to property owned by a **disabled law enforcement officers or rescue workers**, or the surviving spouse.
- *Maryland* – grants a tax credit to owners of **rental dwellings that provide reduced rent** for older tenants and tenants with disabilities.

PROPERTY TAX WORK-OFF PROGRAMS

- According to Archana Prakash, Property Tax Work-Off programs “provide… **financial and social benefits** to both the senior homeowners and local governments,” including:

  - Provides needed financial assistance
  - Allows older homeowners to age in place productively
  - Keeps older homeowners’ properties lien-free
  - Avoids stigma of charity
  - Provides opportunities for socialization, professional engagement
  - Evokes feelings of fulfillment, independence, self-efficacy, attachment to community
  - Allows local governments to meet temporary staffing needs, potentially at a savings
  - Gives older homeowners a more positive view of local government

- Katie Babe points out that “[w]hile some elderly citizens are likely to be enthusiastic when presented with the opportunity to work off their property taxes, others may not because they need assistance but cannot participate. This program makes property tax relief **inaccessible to those who are in poor health.**”

REAL ESTATE TAX RELIEF CRITIQUES

- Necessity
- Equity
- Costs
- Reasons for implementation
- Unintended consequences
- Challenges with deferral programs

OTHER CONSIDERATIONS

- Treatment of income and assets
  - "**Income alone does not determine economic well-being**… a net worth test makes sense since it is reasonable to expect people with valuable assets to borrow against them, if need be, to meet their tax obligations, rather than to have those obligations forgiven or subsidized…" (Bowman, Kenyon, Langley, and Paquin, 2009).
  - "**Excluding some income sources distorts property tax relief**, and may provide dramatically different relief to households paying identical shares of their income in property taxes, or even give more relief to households that are better off than to those that are worse off…" (Bowman, Kenyon, Langley, and Paquin, 2009).
- Ease of administration and compliance
- Revenue adequacy/tax stability
- Outreach