



MEMORANDUM

TO: Timothy J. Baroody, City Manager
FROM: Mark Whitley, Assistant City Manager
RE: Real Estate Tax Relief Program Changes
DATE: *Revised Memorandum: September 2, 2021 for the September 14, 2021 Meeting*
Original: August 18, 2021 (for the August 24 Council Meeting)

A handwritten signature in black ink, appearing to read 'Mark Whitley', is written over the 'FROM' line of the memorandum.

ISSUE

Shall the City Council increase the amount of relief granted to elderly taxpayers under City Code §70-94.

RECOMMENDATION

*{Revised Memorandum: Based on the discussion at the City Council at the August 24, 2021 Council meeting, the staff has prepared an ordinance for Council's consideration for first reading based upon a Maximum Relief of **\$3,000**, effective July 1, 2022.}*

Original Memorandum: This item is on for transmittal and discussion.

BACKGROUND

Original: City Code §70-94 sets out the parameters for the City's program to provide real estate tax relief for elderly and disabled property owners. The City program follows the authority of the state granted by Code of Virginia §58.1-3210 - §58.1-3217.

The City Code provides the exemption for anyone 65 years of age or older, or permanently and totally disabled, provided that certain income and asset thresholds are not exceeded. The maximum allowable relief granted to any property is currently set at \$1500.

Specifically, the total combined net worth of the owners and their spouse, excluding the value of the dwelling and land (not exceeding one acre) must not exceed \$300,000.¹

The income limit for owners and owners' relatives living with them is \$50,000, provided that up to \$10,000 of income of relatives who are not the spouse of an owner living in the dwelling is excluded. The relief granted is graduated from \$30,000 to \$50,000 of income, as follows:

¹ The asset limit was increased in 2019 from \$200,000 to \$300,000 when City Council adopted Ordinance 19-21.

Income	% of Tax Bill Relieved	Maximum Relief
<\$30,000	100%	\$1500
\$30,000 to \$39,999	80%	\$1500
\$40,000 to \$49,999	60%	\$1500

The City Council has asked to consider adjusting the maximum relief granted under the program, which currently provides \$142,498 in relief to qualifying taxpayers. There are 78 participants in the program that qualify for 100% relief – plus 15 that qualify for 80% relief and 13 that qualify for 60% relief. The total taxes owed the City for the properties represented by those currently in the program is \$189,549.

The Commissioner’s office did not provide estimates in cost for increasing the income limits, and they strongly recommend maintaining the current dates of the program so that any changes from City Council would be effective with the upcoming fiscal year.

FISCAL IMPACT

Original: The Commissioner of the Revenue provides the following estimates of the amount of relief that would be granted if the maximum relief granted to any property was increased, as follows:

Maximum Relief	# with Total Relief	Relief Granted	Change from Current
\$1500	36	\$142,498	-
\$2000	55	\$161,099	\$18,601
\$2500	67	\$169,078	\$26,580
\$3000	75	\$172,397	\$29,899

These options are presented to City Council for further discussion.

cc: Lois Jacob, Commissioner of the Revenue

Attachment: Ordinance



September 14, 2021
Regular Meeting
Ordinance No. 21-__

MOTION:

SECOND:

RE: Increasing the Elderly and Disabled Relief from Real Estate Taxes

ACTION: APPROVED: Ayes: 0; Nays: 0

FIRST READ: _____ SECOND READ: _____

Sec. I. Introduction.

City Code §70-94 sets out the parameters for the City's program to provide real estate tax relief for elderly and disabled property owners. The City program follows the authority of the state granted by Code of Virginia §§58.1-3210 through 58.1-3217. The City Code provides the exemption for anyone 65 years of age or older, or permanently and totally disabled, provided that certain income and asset thresholds are not exceeded. The maximum allowable relief granted to any property is currently set at \$1500.

City Council wishes to adjust the maximum annual relief granted under the program to \$3000. This ordinance effects this change to the City Code, effective July 1, 2022.

Sec. II. City Code amendment.

1. City Code §70-94, Exemption for certain elderly and disabled persons, is amended as follows:

70-94. Exemption for certain elderly and disabled persons.

- A. **Authorized.** An exemption from taxation by the City of real estate owned by and occupied as the sole dwelling of anyone at least 65 years of age or anyone permanently and totally disabled, as defined in Subsection E of this section, is provided upon the conditions and in the amounts prescribed by this section. Persons qualifying for such exemption are deemed to be bearing an extraordinary real estate tax burden in relation to their income and financial worth.
- B. **Conditions.** The exemption provided by this section shall be subject to the following restrictions, conditions and qualifications:
 - (1) The title to the real estate for which such exemption is claimed must, on June 30 immediately preceding the tax year for which the exemption is claimed, be owned or partially owned by the person claiming the exemption.

- (2) The real estate for which the exemption is claimed must be occupied as the sole dwelling of the person claiming the exemption.
- (3) The person claiming the exemption must, on June 30 immediately preceding the tax year for which the exemption is claimed, be either 65 years of age or older or permanently and totally disabled, as defined by Code of Virginia, § 58.1-3217.
- (4) The total combined income received from all sources during the preceding calendar year by owners of the real estate who use it as their sole dwelling and owners' relatives who live in the dwelling shall not exceed \$50,000, provided that any amount up to \$10,000 of income of each relative who is not the spouse of an owner living in the dwelling shall be excluded. If a person otherwise meeting the qualifications of this section can prove by clear and convincing evidence that the person's physical or mental health has deteriorated to the point that the only alternative to residing permanently in a hospital, nursing home, convalescent home, or other facility for physical or mental care is to have a relative move in and provide care for the person, and if a relative does then move in for that purpose, then none of the income of the relative or of the relative's spouse shall be counted towards the income limits set forth in this subsection, provided the owner of the residence has not transferred assets in excess of \$5,000 without adequate consideration within a three-year period prior to or after the relative moves into such residence.
- (5) For eligible persons with a total combined income, as defined in Subsection B(4) of this section, of not more than \$30,000, the amount of exemption from real estate tax for any taxable year shall be equal to their real estate tax liability.
- (6) For eligible persons with a total combined income, as defined in Subsection B(4) of this section, of more than \$30,000 but equal to or less than \$40,000, the amount of exemption from real estate tax for any taxable year shall be 80% of their real estate tax liability.
- (7) For eligible persons with a total combined income, as defined in Subsection B(4) of this section, of more than \$40,000 but equal to or less than \$50,000, the amount of exemption from real estate tax for any taxable year shall be 60% of their real estate tax liability.
- (8) **The maximum annual exemption of any property shall be \$1,500 3000.**
- (9) The net combined financial worth, including equitable interests, as of December 31 of the immediately preceding calendar year, of the owners and of the spouse of any owner, excluding the value of the dwelling and the land, not exceeding one acre, upon which it is situated shall not exceed \$300,000. The value of household furnishings in the dwelling, including furniture, household appliances and other items typically used in a home, shall be excluded.

- (10) A dwelling jointly owned by a husband and wife may qualify if either spouse is over 65 years of age or is permanently and totally disabled.
- C. **Dwelling.** The fact that persons who are otherwise qualified for tax exemption pursuant to this section are residing in hospitals, nursing homes, convalescent homes or other facilities for physical or mental care for extended periods of time shall not be construed to mean that the real estate for which tax exemption is sought does not continue to be the sole dwelling of such persons during such extended periods or other residence so long as such real estate is not used by or leased to others for consideration.
- D. **Affidavit.**
- (1) A person claiming such exemption shall file annually with the Commissioner of the Revenue, on forms to be supplied by the City Manager, an affidavit setting forth:
- (a) The names of the related persons occupying such real estate;
 - (b) Certification that the total combined net worth, including equitable interests and the combined income from all sources, of the persons specified in Subsection B of this section does not exceed the limits set forth in that subsection; and
 - (c) Such other relevant information as the City Manager may prescribe.
- (2) In lieu of the annual affidavit filing requirement, the Commissioner of the Revenue may allow the filing of the affidavit on a three-year cycle with an annual certification by the taxpayer that no information contained on the last preceding affidavit filed has changed to violate the limitations and conditions provided therein. Such affidavit or certification shall be filed not later than May 1 of each year.
- E. **Certification of disability.** If a person claiming such exemption is under 65 years of age, such affidavit shall have attached thereto a certification by the veterans administration or the railroad retirement board, or, if such person is not eligible for certification by one of these agencies, a sworn affidavit by two medical doctors licensed to practice medicine in the commonwealth, to the effect that the person is permanently and totally disabled, as defined in Code of Virginia, § 58.1-3217. The affidavit of at least one of the doctors shall be based upon a physical examination of the person by such doctor. The affidavit of one of the doctors may be based upon medical information contained in the records of the civil service commission which is relevant to the standards for determining permanent and total disability as defined in Code of Virginia, § 58.1-3217.
- F. **Duties of Commissioner of the Revenue.** The Commissioner of the Revenue shall:

- (1) Have the authority to waive the filing deadline set forth in this section for a first-time applicant or in hardship cases.
 - (2) Make any other reasonably necessary inquiry of persons seeking such exemption, requiring answers under oath, to determine qualification as specified in this section, including qualification as permanently and totally disabled, as defined in this section.
 - (3) Have the authority to require any such person to produce certified tax returns to establish the income or financial worth of any applicant for tax relief.
- G. **Duties of treasurer.** The treasurer shall enclose written notices in each real estate tax bill of the terms and conditions of this section. The treasurer shall also employ any other reasonable means necessary to notify City residents about the terms and conditions of this section.
- H. **Change in eligibility.** Changes in income, financial worth, ownership of property or other factors occurring during the taxable year for which an affidavit or certification is filed and having the effect of exceeding or violating the limitations and conditions provided in this section shall nullify any deferral or exemption for the remainder of the current taxable year and the taxable year immediately following. However, a change in ownership to a spouse, when such change results solely from the death of the qualifying individual, shall result in a prorated deferral or exemption for the then current taxable year. Such prorated portion shall be determined by multiplying the amount of the deferral or exemption by a fraction wherein the number of complete months of the year such property was eligible for such deferral or exemption is the numerator and the number "12" is the denominator.
- I. **Deferral of certain non-exempt taxes.** Any person qualifying for and receiving the exemption set forth in this section may defer the remaining real estate tax due on such property in excess of the amount entitled to exemption. The accumulated amount of taxes deferred pursuant to this subsection shall be paid, plus interest of 8% per annum on any amount so deferred, to the City by the vendor upon the sale of the dwelling or from the estate of the decedent within one year after the death of the last owner thereof who qualified for such tax deferral. Such deferred taxes shall constitute a lien upon the real estate as if they had been assessed without regard to the deferral permitted by this subsection. Any such lien shall, to the extent that it exceeds in the aggregate 10% of the price for which such real estate may be sold, be inferior to all other liens of record.
- J. **Defined.** For purposes of this section, the term "income" shall mean total gross income from all sources, without regard to whether a tax return is actually filed. Income shall not include life insurance benefits or receipts from borrowing or other debt.

Sec. III. Effective date.

This ordinance shall become effective July 1, 2022, to become effective with the FY2023 fiscal year.

Votes:

Ayes:

Nays:

Absent from Vote:

Absent from Meeting:

Approved as to form:

Kathleen Dooley, City Attorney

Clerk's Certificate

I, the undersigned, certify that I am Clerk of Council of the City of Fredericksburg, Virginia, and that the foregoing is a true copy of Ordinance No. 21- duly adopted at a meeting of the City Council meeting held Date, 2021 at which a quorum was present and voted.

***Tonya B. Lacey, MMC
Clerk of Council***