



## Legislation Details (With Text)

**File #:** 19-1650 **Name:** Tax relief application deadline adjustments  
**Type:** Resolution **Status:** Agenda Ready  
**File created:** 1/7/2019 **In control:** City Council Legislative Meeting  
**On agenda:** 3/12/2019 **Final action:**  
**Title:** Introduction and First Reading. Passage on First Reading of an Ordinance to amend Tax Relief and Tax Deferral, Section 3-2-161 (Definitions), Section 3-2-164 (Administration by City Manager), Section 3-2-165 (Procedure for Claim), and Section 3-2-166 (Calculation of Amount; Limitation), of the Code of the City of Alexandria, Virginia.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. 19-1650\_Att 1 - Tax Deferral and Tax Relief Ordinance Cover, 2. 19-1650\_Att 2 - Tax Deferral Ordinance Amendment and Filing Extension Ordinance

Date	Ver.	Action By	Action	Result
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## City of Alexandria, Virginia

### MEMORANDUM

**DATE:** MARCH 6, 2019

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

**FROM:** MARK B. JINKS, CITY MANAGER /s/

**DOCKET TITLE:**

Introduction and First Reading. Passage on First Reading of an Ordinance to amend Tax Relief and Tax Deferral, Section 3-2-161 (Definitions), Section 3-2-164 (Administration by City Manager), Section 3-2-165 (Procedure for Claim), and Section 3-2-166 (Calculation of Amount; Limitation), of the Code of the City of Alexandria, Virginia.

**ISSUE:** Consideration of an ordinance to:

- 1) Amend and reordain City Code Sections 3-2-161, 3-2-164, 3-2-165, and 3-2-166;
- 2) Expand the tax deferral program for elderly and disabled applicants;
- 3) Grant a longer application period for hardship circumstances;
- 4) Limit tax relief and deferral to a maximum of 1 acre of land; and,

- 5) Clarify that the program is administered by the Department of Finance.

**RECOMMENDATION:** That City Council pass the proposed ordinance (Attachment 2) on first reading on March 12, and schedule it for public hearing, second reading and final passage on March 16, 2019. Because of the timing of the communication and application process and the minimal fiscal impact for FY 2020, staff recommends these changes be put in place prior to FY 2020 formal budget adoption on May 1.

**DISCUSSION:** As presented to City Council on February 19, 2019, the City Manager's proposed budget for FY 2020 includes an expansion of the tax deferral program for elderly and disabled applicants. Below is the existing program which offers a combination of relief and deferral, depending upon the applicant's income:

<u>Allowable Gross Income</u>	<u>Available Relief</u>	
Income \$40,000 and less	100% Exempt	
\$40,001 - \$ 55,000	50% Exempt,	Can defer all or part of taxes over 50%
\$55,001 - \$ 72,000	25% Exempt,	Can defer all or part of taxes over 25%

### **Code Amendment and Tax Deferral Expansion**

The proposed ordinance amendment would expand the program to allow qualifying applicants with incomes ranging between \$72,000 and \$100,000 to defer their tax obligation, starting in 2019. As with the current program, applicants must be at least 65 years old, or permanently and totally disabled. In addition to the income limits, qualified applicants can have net assets no greater than \$430,000, and the home must be the owner's sole dwelling.

It is important to note that this expansion only pertains to the deferral of taxes, and deferred taxes remain a lien on the property, due and payable with interest at 5% upon death or property transfer. The added deferral is a measure to facilitate aging-in-place by the City's elderly and disabled population which allows them to use their current resources while they are living with taxes paid upon transfer of ownership. While the proposal offers added flexibility for the elderly and disabled when necessary; historically deferral has not been popular because the payment of taxes reduces the amount of the estate that could be passed on to heirs whether those heirs are City residents or not.

### **Longer Application Period**

An additional proposal concerns the acceptance of late applications for either tax relief or tax deferral. Presently, all applications are due to be filed with the Department of Finance by April 15<sup>th</sup>, although late applications due to hardship can be accepted up until November 15<sup>th</sup>. The proposed ordinance would extend the late application period due to hardship to April 15<sup>th</sup> of the following calendar year. Part of this is a recognition of the special challenges facing the elderly and disabled population, and the desire to provide added leniency in meeting the deadline, when necessary. Staff has also found that occasionally it is the receipt of next year's application that reminds an applicant that they failed to apply in the prior year.

### **Acreage and Administration**

The last two proposed changes are technical in nature. The first proposed change limits the program to relief or deferral on the value of the house and up to one acre of land, as opposed to two acres of land under the current ordinance. This is technical in that all applicants are presently below the one-acre threshold, and this change comports with the one acre norm in most localities throughout the Commonwealth. The second proposed change clarifies that the Department of Finance administers this program, consistent with Virginia law. This

proposed change codifies the City's existing practice.

**FISCAL IMPACT:** Negligible fiscal impact is anticipated in the first few years of the program. The proposal offers added flexibility for the elderly and disabled when necessary; historically deferral has not been widely used popular since participants tend to choose payment of taxes instead of reducing the amount of their estate that goes to their heirs. Staff will monitor participation and continue to provide information and outreach about the program; staff anticipates any deferrals can be accommodated within the estimate of \$4 million for relief and deferral already factored into the FY 2020 proposed budget.

**ATTACHMENTS:**

Attachment 1 - Proposed Ordinance Cover

Attachment 2 - Proposed Ordinance Amendments

**STAFF:**

Laura B. Triggs, Deputy City Manager

Kendel Taylor, Director, Department of Finance

Kevin C. Greenlief, Assistant Director, Revenue Division, Finance

Sarah McElveen, Assistant City Attorney