



FY 2018 Recommended Budget Budget Question

Board Question #: 30

BUDGET QUESTION: What is the financial impact of changing the maximum net worth and maximum tax relief amount for the tax relief program for elderly and disabled? What are the eligibility requirements and maximum tax relief amounts in surrounding jurisdictions? What would the net worth and exemption criteria be if we were to adjust them for inflation since the last time tax relief was amended?

RESPONSE: When strictly comparing maximum dollar amounts, Spotsylvania County's tax relief of \$1,200 a year is one of the lowest in the area (see Attachment A). Only Caroline and Louisa limit their relief to amounts below this at \$800 and \$1,000, respectively. In contrast, Fredericksburg and Culpeper offer \$1,500 credits, Stafford provides for a \$3,000 credit, and King George, Orange, and Hanover have no maximum dollar limits. If these amounts were converted into assessed values using current tax rates, Spotsylvania's maximum would equate to a tax exemption on real property valued at \$141,176. Again, only Caroline and Louisa would equate to lower exempted assessed values at \$97,561 and \$138,889, respectively. At the other end of the scale, Stafford's maximum exemption amount of \$3,000 would equate to an exemption on property valued at \$303,030.

It should be noted that the varying eligibility requirements and relief calculations make it difficult to compare the extent and effectiveness of Spotsylvania's relief program to those of other nearby jurisdictions. Though Spotsylvania has one of the lowest maximum relief amounts in the area, the County offers higher income and net worth thresholds, allowing broader eligibility for the program.

The following tables provide information on estimated costs expected should the maximum net worth and tax relief amounts be changed. Staff made assumptions of the changes since specifics were not provided as part of the question.

Table A shows the costs expected by doubling the maximum exemption from \$1,200 to \$2,400, as well as increasing the net worth from \$200,000 to \$250,000.

Table A

	Total Est. Exemption for 2017	Exemption Increase \$1,200 to \$2,400	Net Worth Increase \$200K to \$250K	Total Revenue Loss	Additional Revenue Loss
1/2 Year Impact June (FY 17)	\$1,090,709	\$120,652	\$136,339	\$1,347,700	\$256,991
Full Year Impact FY 18 & forward	\$1,090,709	\$241,304	\$272,677	\$1,604,690	\$513,981

FY 2018 Recommended Budget

Budget Question

Table B shows the costs expected by increasing the maximum exemption from \$1,200 to \$3,000, as well as increasing the net worth from \$200,000 to \$250,000.

Table B

	Total Est. Exemption for 2017	Exemption Increase \$1,200 to \$3,000	Net Worth Increase \$200K to \$250K	Total Revenue Loss	Additional Revenue Loss
1/2 Year Impact June (FY 17)	\$1,090,709	\$127,396	\$136,339	\$1,354,444	\$263,735
Full Year Impact FY 18 & forward	\$1,090,709	\$254,792	\$272,677	\$1,618,178	\$527,469

Table C shows the statistics associated with the change in tax bills stemming from the potential change in maximum exemption to either \$2,400 or \$3,000. An increase in the net worth from \$200,000 to \$250,000 would be expected to add approximately 270 participants to the relief program. We cannot say for certain how the tax bills of those 270 additional participants would be distributed among the categories in Table C, we would assume a distribution similar to that included below for the 1,080 existing participants.

Table C

Tax Amount Billed	2017		2017 Potential Exemption Changes			
	\$1,200 Exemption		Change to \$2,400 Exemption		Change to \$3,000 Exemption	
\$0	92	8.52%	543	50.28%	571	52.87%
\$1 - \$100	422	39.07%	386	35.74%	383	35.46%
\$101 - \$500	342	31.67%	131	12.13%	114	10.56%
\$501 - \$1,000	163	15.09%	11	1.02%	9	0.83%
\$1,001 and Up	61	5.65%	9	0.83%	3	0.28%
Total Participants	1,080		1,080		1,080	

Table D reports the historical changes to the tax relief program. If we were to adjust the net worth and exemption criteria for inflation since the last time tax relief was amended in 2013, the maximum net worth would adjust to \$206,000 and the maximum exemption would adjust to \$1,236. Staff expects the revenue impact to be minimal if these are the only changes made.

FY 2018 Recommended Budget
Budget Question

Table D

Historical Changes to the Tax Relief Program

Year	Max. Gross Income	Max. Net Worth	Exemption
Prior to 1996	\$25,000	\$60,000	\$500
1996	\$27,500	\$66,000	\$500
1997	\$27,500	\$100,000	\$550
1998	\$28,500	\$100,000	\$550
2000	\$28,500	\$100,000	\$610
2002	\$30,000	\$100,000	\$610
2005	\$50,000	\$100,000	\$760
2008	\$50,000	\$100,000	\$836
2009	\$50,000	\$150,000	\$1,000
2013	\$50,000	\$200,000	\$1,200

Spotsylvania County, VA																
Regional Comparison of Real Estate Tax Relief Programs for the Elderly or Disabled																
As of March 2017																
LOCALITY	General Requirements (a)		Income Requirements (b,c)				Net Worth Requirements (b,c)		Tax Relief Formula Considerations					Exemption Provided		
	Must Own and Occupy House?	65 years of age or older or Permanently and Totally Disabled?	Gross Income Limit	Exclusion of Income for those living in dwelling:			Financial Net Worth Limit	Financial Net Worth Exclusions	Uses Sliding Scale?	Income Ranges Considered	Net Worth Ranges Considered	% of Taxes Exempted	Extent of Relief	Max Annual Relief Tax Given	2016 Real Estate Tax Rate	Max Assessed Value Exempt (calculated)
				Each Relative (non-spouse) (d)	Each Permanently Disabled Owner	Each Non-Relative										
Caroline	Yes	Yes	\$40,000	(\$6,500)			\$85,000	Dwelling and up to 10 acres	Yes	\$0 - \$12,000 \$12,001 - \$22,000 \$22,001 - \$30,000 \$30,001 - \$40,000	\$0 - \$45,000 \$45,001 - \$85,000	20% - 95%	Dwelling and up to 10 acres	\$800	\$0.8200	\$97,561
Louisa	Yes	Yes	\$40,000 (e)	(\$6,500)	(\$7,500)		\$100,000	Dwelling (h) and up to 10 acres	Yes	\$0 - \$18,000 \$18,001 - \$29,000 \$29,001 - \$40,000	\$0 - \$25,000 \$25,001 - \$50,000 \$50,001 - \$75,000 \$75,001 - \$100,000	50% - 100%	Dwelling and up to 10 acres	\$1,000	\$0.7200	\$138,889
Spotsylvania	Yes	Yes	\$50,000	(\$5,500)			\$200,000	Dwelling and up to 10 acres	No	\$0 - \$50,000	\$0 - \$200,000	100%	Dwelling and up to 1 acre	\$1,200	\$0.8500	\$141,176
Fredericksburg	Yes	Yes	\$50,000	(\$10,000)			\$200,000	Dwelling (h) and 1 acre	Yes	\$0 - \$50,000	\$0 - \$30,000 \$30,001 - \$40,000 \$40,001 - \$50,000	60% - 100%	Dwelling and up to 1 acre	\$1,500	\$0.7700	\$194,805
Culpeper	Yes	Yes	\$50,000	(\$6,500)			\$200,000	Dwelling (h) and up to 10 acres	Yes	\$0 - \$20,000 \$20,001 - \$30,000 \$30,001 - \$40,000 \$40,001 - \$50,000	\$0 - \$50,000 \$50,001 - \$100,000 \$100,001 - \$150,000 \$150,001 - \$200,000	10% - 100%	Dwelling and up to 1 acres	\$1,500	\$0.7300	\$205,479
Stafford	Yes	Yes	\$40,000	(\$10,000)			\$400,000	Dwelling and up to 20 acres	Yes	\$0 - \$35,000 \$35,001 - \$40,000 \$0 - \$30,000	\$0 - \$300,000 \$0 - \$200,000 \$0 - \$400,000	50% - 100%	Dwelling and up to 1 acre	\$3,000	\$0.9900	\$303,030
King George	Yes	Yes	\$25,000	(\$1,500)			\$60,000	Dwelling and up to 1 acre	No	\$0 - \$25,000	\$0 - \$60,000	100%	Dwelling and up to 10 acres	No \$ Limit	\$0.6800	N/A
Orange	Yes	Yes	\$40,000 (f)	(\$7,500)		(\$7,500)	\$90,000 if no other joint owners (other than spouse) \$140,000 if title is held by other joint owners (non-spouse)	Dwelling and up to 2 acres No exclusion for dwelling or land if held jointly with others (non-spouse)	Yes Yes	\$0 - \$15,000 \$15,001 - \$20,500 \$20,501 - \$26,000 \$26,001 - \$31,500 \$31,500 - \$40,000	\$0 - \$18,000 \$18,001 - \$36,000 \$36,001 - \$54,000 \$54,001 - \$72,000 \$72,001 - \$90,000 \$0 - \$28,000 \$28,001 - \$56,000 \$56,001 - \$84,000 \$84,001 - \$112,000 \$112,001 - \$140,000	10% - 90%	Dwelling and up to 2 acres	No \$ Limit	\$0.8040	N/A
Hanover	Yes	Yes	\$50,000	(\$10,000)	(\$10,000)		\$200,000	Dwelling (h) and up to 10 acres	Yes	\$0 - \$20,000 \$20,001 - \$30,000 \$30,001 - \$40,000 \$40,001 - \$50,000	\$0 - \$200,000	25% - 100%	Dwelling and up to 10 acres	No \$ Limit	\$0.7300	N/A

Notes:
(a) All localities state in their municipal codes something to the effect that the real estate in question be owned and occupied as the sole dwelling of someone 65 years of age or older or permanently and totally disabled. The basis for this criteria is the Code of Virginia (§ 58.1-3210). Pursuant to this section, there are several eligible ownership configurations involving trusts and/or situations in which the owner resides in a medical/caregiving facility which are not discussed here.
(b) The Code of Virginia (§ 58.1-3212) authorizes localities to establish annual income or net financial worth limitations as conditions of eligibility. Annual income is based on adding together the income received during the preceding calendar year, without regard to whether a tax return is actually filed, by (i) owners of the dwelling who use it as their principal residence, (ii) owners' relatives who live in the dwelling, except for those relatives living in the dwelling and providing bona fide caregiving services to the owner, whether compensated or not, and (iii) at the option of each locality, nonrelatives of the owner who live in the dwelling except for bona fide tenants or bona fide caregivers, whether compensated or not.
(c) The current Code of Virginia (§ 58.1-3212) does not prohibit the localities from excluding certain sources of income for the purposes of the annual income limitation or excluding certain assets for purposes of the net financial worth limitation. Previously, the Code of Virginia (§ 58.1-3211, repealed 2011) restricted the maximum amounts for the income (i.e. \$50,000) and net worth limitations (i.e. \$200,000) and exclusions thereof which still form the basis of the elderly and disabled tax relief programs for many localities today.
(d) There is a State granted total income exclusion for relatives living in the dwelling who are acting as bona fide caregivers to the owner. Many localities, however, set an eligibility limit concerning the amount of assets transferred from the owner to the relative within the prior three years, ranging from \$5,000 to \$10,000 for the localities compared above. Spotsylvania County's limit is \$10,000 in assets.
(e) Louisa County's income limit is the greater of \$40,000 or the income limits based upon family size for the respective metropolitan statistical area annually published by the U.S. Department of Housing and Urban Development for qualifying for federal housing assistance pursuant to section 235 of the National Housing Act.
(f) Orange County includes in its income limit consideration the income of nonrelatives who live in the dwelling except for bona fide tenants or bona fide paid caregivers of the owners. Subsequently, Orange also provides for a \$7,500 income exclusion for each nonrelative.
(h) Locality includes language in their municipal code allowing for the exclusion of the value of home furnishings and household appliances when considering the net combined financial worth limitation.
(i) The Code of Virginia (§ 58.1-3212) stipulates that localities may exempt or defer real property taxes the qualifying dwelling and the land, not exceeding ten acres, upon which it is situated.