

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 14, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 58 : DISABLED PERSONAL PROPERTY AND VETERANS TAX

This memorandum is in response to Councilman Krupicka's request regarding tax relief for disabled veterans.

Alexandrians recently approved a new property tax exemption for disabled veterans. I'd like to request staff to bring forward suggestions for how Alexandria could implement this tax relief for veterans and the cost of doing so.

For calendar year 2011 and subsequent years as required by a new State law, the City will offer a full real estate tax exemption to any veteran who has been rated by the U.S. Department of Veterans Affairs or its successor agency pursuant to federal law to have a 100 percent service-connected, permanent and total disability, and who occupies the real property as his/her primary place of residence. The surviving spouse of a veteran eligible for the exemption may also qualify. The estimated cost in terms of lost revenue would be \$531,824 at the current tax rate of \$0.978 per \$100 of assessed value or \$543,787 at the maximum advertised rate of \$1.00 per \$100 assessed value.

In addition, I'd like staff to bring forward information regarding the budget impact of reducing the current property tax on vehicles with permanent disabled tags.

The City currently offers a personal property tax relief for all disabled persons (including but not limited to veterans), but it has an income eligibility limit of \$20,000 per household and a net worth eligibility limit excluding primary residence of \$75,000 per household. Council does not have the legal authority to eliminate the personal property tax for disabled veterans¹, but it could reduce the rate only for disabled veterans from the current \$4.75 per \$100 of assessed value to any rate below that down to \$0.01 per \$100

¹ There are 121 disabled veterans in the City according to the Commissioners of the Revenue Association of Virginia.

assessed value. A reduction to the rate that currently applies to vehicles that have been modified for handicap access of \$3.55 per \$100 of assessed value would cost approximately \$4,800 in lost revenue. Reducing the rate all the way down to \$0.01 per \$100 of assessed value would cost approximately \$19,000. For the purposes of calculating other rate options, each \$1 per \$100 of assessed value generates approximately \$4,000 in revenue from disabled veterans.

Options for Adjusting the Personal Property Tax Rate for Disable Veterans	Tax Rate (Per \$100 Assessed Value)	Revenue Loss
No change	\$4.75	\$0
Reduce by \$1.00	\$3.75	\$4,000
Reduce by \$1.20 (to the rate applied for modified handicap accessible vehicles)	\$3.55	\$4,800
Reduce by \$2.00	\$2.75	\$8,000
Reduce by \$3.00	\$1.75	\$12,000
Reduce by \$4.00	\$0.75	\$16,000
Reduce by \$4.74 (maximum reduction)	\$0.01	\$19,000