

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 16, 2012

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER 

SUBJECT: BUDGET MEMO #36: CLARIFICATIONS FOR REAL ESTATE TAX RELIEF PROGRAM

This budget memo is in response to a request by Councilman Fannon regarding the qualification requirements and the difference between tax deferral and tax exemption for the City's real estate tax relief program.

The City now provides two primary types of real estate tax relief. The Real Estate Tax Relief and Assistance Program is for residents who are 65 years of age or older or permanently and totally disabled.

Real Estate Tax Relief and Assistance Program

The Real Estate Tax Relief and Assistance Program is for residents who are 65 years of age or older or permanently and totally disabled by November 15. Tax relief is prorated for persons who turn 65 or who become disabled between January 1 and November 15. The following table summarizes the income and asset requirements for the program.

Requirements for 2012 Elderly and Disabled Program	Tax Exemptions			Deferral
	100%	50%	25%	
Household income limit for 2011	\$40,000	\$55,000	\$72,000	\$72,000
Asset limit as of 12/31/11	\$540,000	\$540,000	\$540,000	\$540,000

Elderly and disabled taxpayers that qualify for a 25% exemption may receive a 25% reduction in their tax bill and defer the remaining 75% until the property changes ownership. Those who qualify for a 50% exemption may receive a 50% reduction in their tax bill and defer the remaining 50%. Those who qualify for a 100% exemption may be completely exempt from the tax. In all cases, taxpayers who are eligible for an exemption may choose not to take the exemption and defer the tax instead.

The revenue from taxes exempted under this program are never recouped by the City because they do not have to be repaid at a later date. However, taxes deferred would be repaid to the City when the property changes ownership. The balance of unpaid deferred taxes is essentially a loan that accrues interest at the rate of five percent (5 percent) per year from the date of the deferral until the taxes are paid in full at the date of sale.

In the case of either an exemption or a deferral, the resident must own and occupy the property in question on January 1 and throughout the year.

Disabled Veterans Tax Relief

Starting in calendar year 2011, veterans who have been classified as having a 100 percent permanent and total disability by the Department of Veterans Affairs and, in some cases, their surviving spouses are also exempt from real estate tax on their primary residences. This is a state mandated program and is a full exemption from real estate taxes.

Solar Energy Equipment Tax Exemption

In addition to the annual programs, property owners can qualify for a tax exemption for the installation of solar equipment that is designed and used primarily for the purpose of providing for the collection and use of solar energy for water heating, space heating or cooling or other applications which would otherwise require a conventional source of energy. Qualifying equipment or system installations will entitle the property owner to a tax exemption for five years. The value of the tax exemption is based on the cost or a percentage of the cost of the installation and the solar equipment, facilities or devices installed.

The following chart shows the number of participants in each category and the amount of foregone revenue for calendar year 2011.

Type	Foregone Tax Revenue	Total Participants
Elderly or Totally Disabled (exemption)	\$3.4 million	1,198
Elderly or Totally Disabled (deferral)	Less than \$0.1 million	18
100% Service Disabled Veterans (effective 1/1/11)	\$0.2 million	36
Solar Energy Tax Exemption	Less than \$0.1 million	4
Total Revenue Foregone	\$3.6 million*	1,252

*excluding deferral