




ARLINGTON  
VIRGINIA

# REAL ESTATE TAX RELIEF WORKING GROUP & STUDY

February 2017

# OVERVIEW


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  - RETR Participation Statistics
  - RETR Program Comparison
  - RETR Workgroup Charge
  - RETR Workgroup Structure
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  - Major Work Products and Next Steps
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# RETR BACKGROUND

- Virginia localities are authorized to provide Real Estate Tax Relief (RETR) to homeowners aged 65 or over, as well as to permanently disabled homeowners.
- The current Arlington County RETR Program provides exemption of some or all real estate taxes for qualified Arlington homeowners whose:
  - Annual household income is below \$99,472, and
  - Household assets (excluding the value of their primary Arlington home) are below \$340,000.
- Homeowners may receive a full, 50 percent, or 25 percent exemption, depending on their income and household size.
- Homeowners within the income guidelines who have assets over \$340,000 but below \$540,000 may defer payment of their real estate taxes until their property changes ownership; no interest or penalties are charged.
- Homeowners not qualifying for a full exemption may defer what is not exempt.

Type of benefit	1-2 person household annual income/asset limit	3 person household annual income/asset limit
Full Exemption	\$55,953/\$340,000	\$62,667/\$340,000
50% Exemption	\$68,387/\$340,000	\$76,953/\$340,000
25% Exemption	\$99,472/\$340,000	\$99,472/\$340,000
Deferral	\$99,472/\$540,000	\$99,472/\$540,000

# RETR BACKGROUND

- The Department of Human Services (DHS) has overseen the RETR Program since 1991.
  - The Affordable Housing Master Plan (AHMP), adopted by the County Board in September 2015, found that many low-income senior households on fixed incomes face financial stress related to increasing condominium fee and real estate tax burdens.
  - The AHMP included a recommendation to review the goals and guidelines of the RETR Program, and to consider redefinition of income levels, asset levels, and criteria for exemptions and deferrals.
  - At FY 2017 budget adoption, the County Board requested the formation of a Working Group to study the County's current RETR Program and develop recommendations for consideration during the FY 2018 budget process.
  - In 2016, 929 households were approved for RETR, resulting in \$4,163,131 in uncollected revenue.
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# RETR PARTICIPATION BY TYPE OF BENEFIT, 2011-2016

Type of Benefit	2011	2012	2013	2014	2015	2016
Full Exemption	837	875	764	707	650	639
50% Exemption	149	115	127	123	118	129
25% Exemption	128	101	128	131	143	135
Deferral Only	36	35	34	36	29	26
Total Approved	1,150	1,126	1,053	997	940	929
Uncollected Revenue	\$4,250,259	\$4,583,156	\$4,299,041	\$4,232,471	\$4,218,957	\$4,163,131

# INCOME AND ASSETS FOR RETR HOUSEHOLDS, 2016

Household Income	Number of Households	Percentage of Households
\$0 - \$20,000	112	12%
\$20,001 - \$40,000	295	32%
\$40,001 - \$60,000	283	30%
\$60,001 - \$80,000	151	16%
\$80,001 - \$99,472	88	10%

Household Assets	Number of Households	Percentage of Households
\$0 - \$100,000	473	51%
\$100,001 - \$200,000	212	23%
\$200,001 - \$300,000	159	17%
\$300,001 - \$400,000	73	8%
\$400,001 - \$500,000	11	1%
\$500,001 - \$540,000	1	0%

# ASSESSED VALUE AND LOCATION OF RETR HOMES, 2016

Assessed Value	Number of Households	Percentage of Households
\$0 - \$200,000	75	8%
\$200,001 - \$400,000	220	24%
\$400,001 - \$600,000	267	29%
\$600,001 - \$800,000	307	33%
\$800,001 - \$1,000,000	53	5%
\$1,000,001+	7	1%

Zip Code	Number of Households	Percentage of Households
22201	108	11%
22202	56	6%
22203	78	8%
22204	276	30%
22205	112	12%
22206	81	9%
22207	175	19%
22209	26	3%
22210	1	0%
22213	16	2%

# NORTHERN VIRGINIA REAL ESTATE TAX RELIEF COMPARISON, 2016

Qualification Factors	Arlington County Current	Fairfax County	City of Alexandria	Loudoun County	Prince William County
<b>Household Income Maximum</b>	\$99,472	\$72,000	\$72,000	\$72,000	\$81,490
<b>Full Exemption</b>	Full Exemption to: 1-2 people \$55,953 3 people \$62,667 4 people \$69,560	0 - \$52,000 up to 1 acre	0-\$40,000 up to 2 acres	0-\$72,000 up to 3 acres	0-\$56,200 up to 1 acre
<b>Partial Exemption</b>	50% Exempt to: 1-2 people \$68,387 3 people \$76,593 4 people \$85,018  25% Exempt to: 1-2 people \$99,472 3 people \$99,472 4 people \$99,472	\$52,001-\$62,000 50% exempt	\$40,001-\$55,000 50% exempt	None	\$56,201- \$64,630 75% exempt  \$64,631- \$73,060 50% exempt  \$73,061- \$81,490 25% exempt
<b>Deferral</b>	Can defer what is not exempt	None	Can defer what is not exempt	None	None
<b>Asset Maximum</b>	\$340,000 for exemption/ \$540,000 for deferral excludes house + property	\$340,000 excludes house + up to 1 acre	\$430,000 excludes house + up to 2 acres	\$440,000 excludes house + up to 10 acres	\$340,000 excludes house + up to 25 acres
<b>Income Exclusions</b>					
<b>Relatives in Home:</b>	-	\$6,500 per non-owner/non-spouse relative	\$10,000 per non-owner/non-spouse relative	\$10,000 per non-owner/non-spouse relative	\$10,000 per non-owner/non-spouse relative
<b>Disability:</b>	-	\$7,500 per applicant with disability income	-	100% for owner and/or spouse with disability income	\$7,500 per applicant with disability income



# RETR WORKING GROUP CHARGE

The RETR Working Group is charged by the County Manager to collaborate with staff to **provide commission, community, consumer and advocate perspectives** on possible future changes to the RETR Program in Arlington.

More specifically, the Working Group will:

- **Research and review best practices** related to real estate tax relief throughout the country.
- **Engage and inform** the community and relevant stakeholders of ongoing efforts and discussions.
- Determine if there may be Arlingtonians who qualify for RETR but are not currently participating in the program, and provide recommendations for **what could be done differently** to reach to these residents.
- Collaborate with a consultant to conduct **surveys and/or focus groups** to gauge the historical success of the RETR Program in reaching eligible Arlingtonians and enabling these residents to stay in their homes, and to ascertain what changes (if any) would allow the program to better address elderly and disabled Arlingtonians' needs.
- Utilize identified best practices and survey / focus group results to inform an **analysis of the current program's approach** to enabling elderly and disabled Arlingtonians to stay in their homes.
- **Provide recommendations** on how to best structure and administer the program in Arlington moving forward.

# RETR WORKING GROUP STRUCTURE

- The RETR Working Group is a limited-term advisory body, with 12 members representing the following:
  - Commission on Aging (COA)
  - Disability Advisory Commission (DAC)
  - Fiscal Affairs Advisory Commission (FAAC)
  - Housing Commission (HC)
  - Real Estate Tax Relief program participants
  - Members-at-large
- Christian Dorsey and John Vihstadt are the County Board liaisons to the RETR Working Group.
- Paul Holland (FAAC) is the Chair, and Patricia Sullivan (COA) is the Vice-Chair.
- DHS provides primary staff support, with additional assistance from the Department of Community Planning, Housing, and Development (CPHD) and the Treasurer's Office.
- The County contracted with Reingold, Inc. to conduct telephone surveys and focus groups involving Arlington's older homeowners and homeowners with disabilities.

# COMMUNITY OUTREACH

The RETR Working Group and staff have utilized a variety of tools and methods to engage and communicate with the community, including:


- Real Estate Tax Relief Working Group and Study web page (<https://commissions.arlingtonva.us/real-estate-tax-relief-retr-working-group/>)
- 9 Working Group meetings open to the public
- E-mail
- Social media
- Surveys/focus groups
- Media releases
- Community meeting (scheduled for March 6, 2017 from 7-9 PM at Arlington Mill Community Center)

# DRAFT RECOMMENDATIONS

- In January 2017, the RETR Working Group drafted a set of 20 draft recommendations, which include approximately 30 accompanying action items.
- The draft recommendations are organized according to anticipated implementation timeframe:
  - **Priority recommendations** constitute the Working Group's primary recommendations, and implementation is intended to begin immediately.
  - **Mid-term recommendations** build upon the outcomes of the priority recommendations, and implementation is intended to begin in the next 1-3 years.
  - **Long-term recommendations** are generally more future-focused, and may be related to topics that arose over the course of the study but are beyond the scope of the charge and/or require additional research for proper consideration; implementation is intended to begin in the next 3-5 years.

# DRAFT RECOMMENDATION HIGHLIGHTS

Highlights of the RETR Working Group's draft recommendations:

- Revisions and additions to the RETR application materials to be more user-friendly
  - Revisions to the RETR timeline to give participants additional time to apply
  - Allowance for retroactive relief of up to 5 years in certain circumstances
  - Increased outreach and technical assistance
  - Creation of a Citizens Advisory Group to provide oversight
  - Investigation into mortgage lenders' opposition to deferrals
  - Designation of revenue received from deferral repayments to support affordable housing opportunities with accessibility and supportive services for older residents and residents with disabilities
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# DRAFT RECOMMENDATION HIGHLIGHTS

Highlights of the RETR Working Group's draft recommendations (continued):

- Revisions to the asset limit
  - Current: \$340,000 for exemptions/\$540,000 for deferrals
  - Proposed: \$400,000 for exemptions and deferrals
- Revisions to the method of calculating applicants' assets
  - Include only the assets of owners and owners' spouses
  - If an applicant's asset total exceeds \$400,000, utilize the "adjusted asset" calculation method
  - The "adjusted asset" calculation method deducts the following items from the asset total:
    - Medical and dental expenses not covered by insurance, as reported on Schedule A (Form 1040)
    - Out-of-pocket emergency home repairs within the tax year not covered by insurance and exceeding \$1,000 per incident
    - Condominium Association special assessment exceeding two times the annual condominium fee
    - State and federal income tax debts in arrears

# DRAFT RECOMMENDATION HIGHLIGHTS


Highlights of the RETR Working Group's draft recommendations (continued):

- Revisions to the income limits and exemption levels

Exemption Level	Current Income Range	Proposed Income Range
100% exemption	1-2 people \$0-\$55,953 3 people \$0-\$62,667 4 people \$0-\$69,560	\$0-\$45,000 (all household sizes)
75% exemption	N/A	\$45,001-\$55,000 (all household sizes)
50% exemption	1-2 people \$55,954-\$68,387 3 people \$62,668-\$76,593 4 people \$69,561-\$85,018	\$55,001-\$65,000 (all household sizes)
25% exemption	1-2 people \$68,388-\$99,472 3 people \$76,594-\$99,472 4 people \$85,019-\$99,472	\$65,001-\$80,000 (all household sizes)

- Revisions to the method of calculating applicants' income
  - Exclude all disability income for either owner and/or spouse
  - Exclude the first \$10,000 in income for each non-owner/non-spouse relative living in the home

# MAJOR WORK PRODUCT AND NEXT STEPS

- The RETR Working Group will produce a **Program Recommendations Report** highlighting the Group's key findings. The report will include a summary of best practices, survey/focus group results, and recommendations on the structure and administration of the RETR Program.
  - DHS staff and the RETR Working Group Chair/Vice-Chair will meet with key civic organizations and relevant commissions February 7-27.
  - A draft Program Recommendations Report will be posted online for public comment on or around February 15.
  - A Community Meeting will be held March 6, from 7-9 PM, at the Arlington Mill Community Center.
  - A final Program Recommendations Report, incorporating public feedback, will be completed on or around March 20.
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# QUESTIONS AND DISCUSSION

- RETR Background
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  - **Questions**
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