Response to Questions on the FY 2006 Advertised Budget Plan

Request By: Chairman Connolly

Question: What are the cost estimates for going to the maximum for income and asset inclusion for senior tax relief?

Response: Section 58.1-3211 of the Code of Virginia authorizes Fairfax County to grant real estate tax relief to elderly and disabled homeowners who have gross income not greater than $72,000 and net assets not greater than $340,000. At present, Fairfax County's tax relief program is below these limits:

Current Program: Income Range	Current % of Relief	Maximum Allowable Assets	FY 2005 Participation
$40,000 and below	100 %	$240,000	4,571
$40,001 - $46,000	50 %	$240,000	553
$46,001 - $52,000	25 %	$240,000	364

If the Board were to amend the local ordinance and grant 100% relief up to the state maximum of $72,000 income and $340,000 net assets, staff estimates this would result in a projected revenue loss in FY 2006 of $14,956,889. It is estimated that this would benefit an additional 3,273 applicants, and increase the amount of relief granted to 917 current participants.

If the Board raised the limits to the state maximum, but kept a graduated schedule of relief, the cost would be reduced. For example, the cost would be $8,720,031 under the following scenario:

Income Range	Current % of Relief	Maximum Allowable Assets	Additional Estimated Applicants
$52,000 and below	100 %	$340,000	875
$52,001 - $62,000	50 %	$340,000	1,387
$62,001 - $72,000	25 %	$340,000	1,011
Total:			3,273

These estimates are based on an extrapolation from census data and citizen survey data. At present, citizens can still apply for the tax year 2004 program through December 31, 2005, so final numbers on the current program are not available. Also under this scenario, staff anticipates an additional 3,273 participants.

Should the Board adopt a program increase of this magnitude, it is also recommended that two clerical staff positions be added to the Department of Tax Administration (DTA) to accommodate the projected workload increase. The projected cost of these positions is approximately $68,000.

It should also be noted that the current County ordinance allows an exclusion of $6,500 in income for each relative (other than a spouse) residing in the dwelling. Disabled applicants are also able to exclude the first $7,500 of income. These special exclusions are also below the state limit, which is set at $10,000 for both categories. Staff does not have sufficient data from which to project a specific cost of going to the state limits for these two exclusions, but the impact is thought to be negligible.

Finally, the current program excludes the house and up to one acre of land from the calculation of net assets. The State allows up to 25 acres to be excluded. Under the County's current program, if an applicant has more than one acre, the value of the excess land is included in the calculation of assets. A total of four applicants did not qualify for relief in tax year 2004 because the value of their excess acreage exceeded the allowable asset limit. Beyond this, staff does not have data from which to calculate the potential impact of increasing the amount of acreage that could be excluded from the net asset calculation.