Response to Questions on the FY 2012 Budget

Request By: Chairman Bulova

Question: Please provide options for implementing the recently approved referendum concerning real restate tax relief for the elderly and disabled.

Response: <u>The following amendment to Article X, Section 6 (b) of the Virginia Constitution was adopted by voters last November</u>:

> *"The General Assembly may by general law authorize the governing body of any county, city, town, or regional government to provide for the exemption from local property taxation, or a portion thereof, within such restrictions and upon such conditions as may be prescribed, of real estate and personal property designed for continuous habitation owned by, and occupied as the sole dwelling of, persons not less than sixty-five years of age or persons permanently and totally disabled as established by general law ~~who are deemed by the General Assembly to be bearing an extraordinary tax burden on said property in relation to their income and financial worth.~~ <u>A local governing body may be authorized to establish either income or financial worth limitations, or both, in order to qualify for such relief</u>."*

At this time, the Board of Supervisors has no legal authority to implement any changes as a result of this amendment. The Virginia General Assembly must first enact enabling legislation during the 2011 legislative session. The General Assembly can make this legislation retroactive to January 1, 2011.

Although the constitutional amendment gives the local governing body great flexibility to set income and asset levels for tax relief for the elderly and disabled, it should be noted that Fairfax County is already below existing state limits. The County's program has graduated income limits of $72,000, and maximum net assets of $340,000. The current tax relief program reduced FY 2011 General Fund revenue by approximately $28 million. Existing state law allows up to $75,000 for income and $540,000 for assets.

The constitutional amendment notwithstanding, the Board can at this time increase up to the existing state limits if it so desires by holding a public hearing and amending the County ordinance. This would impact FY 2012 General Fund revenue. Staff is in the process of analyzing the cost, but the last time this was reviewed the cost impact was several million dollars. Raising the County's limits has been previously considered but the Board determined that it was prudent to keep existing limits given budget considerations. The current income/asset limits have been in place since FY 2006.