Response to Questions on the FY 2018 Budget

Request By: Supervisor Herrity

Question: What is the cost of exempting from real estate taxes surviving spouses of first responders killed in the line of duty? What is the implementation timeline for enactment of an ordinance approving real estate tax exemption for surviving spouses of first responders killed in the line of duty?

Response: Currently, veterans who have a 100 percent permanent and total disability related to military service, or their surviving spouse, are eligible for real estate tax relief on their home and up to one acre of land regardless of income or assets. In addition, surviving spouses of veterans killed in action are also eligible for real estate tax relief; however, the exemption applies only up to the average assessed value of single family residential homes in the County in the most recently ended tax year.

On November 8, 2016, voters approved a constitutional amendment which allows localities in Virginia the option to grant real estate tax relief for surviving spouses of first responders killed in the line of duty. If the Board of Supervisors (BOS) wishes to grant such relief, no County ordinance change would be required. To implement the exemption, the BOS would need to pass a resolution with the terms of the exemption.

The Department of Tax Administration (DTA) would need to coordinate all the required systems changes with an external vendor and first responder groups would be canvassed to identify impacted residents. Changes could be completed by late fall 2017, with a preferred effective date of January 1, 2018 (FY 2019). The implementation cost of the required systems changes is estimated at approximately $50,000.

State law provides some flexibility of how the program could be designed. The BOS could elect to provide relief in a manner similar to the exemption for disabled veterans and their surviving spouses; alternatively, the exemption could be more in line with that provided to surviving spouses of military members killed in action, which is limited only to the average assessed value of single family residential homes in the County in a particular tax year.

While DTA does not have data on the number of potential applicants and the value of the homes that would be tax exempt, the average FY 2018 assessed value for improved residential properties in the County is $533,168, with a base tax liability of approximately $6,025 at a tax rate of $1.13 per $100 of assessed value. Therefore, if 10 applicants are approved, the estimated revenue loss would be $60,250.

Staff is reviewing the approaches other jurisdictions are taking and will report back to the Board with an update.