



Executive Brief – Real Property Tax Relief Program Eligibility (“DRAFT”)

By Lance Wolff, Chief Financial Officer

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Issue: Council has directed the City Manager and his staff to examine the impact of broadening the eligibility and adjusting the exemption thresholds for the City’s real property tax relief program.

Background: The City’s tax relief program consists of both a tax abatement program and a tax freeze program for elderly and handicapped citizens with full and partial income exemption thresholds established at \$19,000 and \$40,000, respectively. Financial worth thresholds were established for these two programs at \$64,200 and \$150,000, respectively. These two sets of thresholds were adopted by City Council through city ordinances in 1992 and 1993, respectively. To qualify for either of these programs, a citizen must be 65 or older or have a permanent/total disability. With the City of Portsmouth’s population estimated at 99,000, approximately 1,600 of its citizens qualify for the programs to some extent. During the FY-06 budget process, City Council expressed a desire to re-examine the eligibility and exemption thresholds and requested that staff prepare an analysis with options. \$1.445 million was set aside for real property tax relief in the adopted FY-06 Budget (\$1.3 million was set aside in adopted FY-05 Budget), without changing the eligibility and exemption thresholds.

Discussion: Since July 2005, a committee consisting of Lance Wolff, Ron Berkebile, Rusty Jordan, Iris Oxendine, and various IT staff has been working together on this issue. During this time, the State enacted SB 844, SB 851 and SB 1051, which allow for a maximum income level of \$68,210 (HUD benefit calculation) or \$52,000 and a financial worth of \$200,000 exclusive of land, dwellings and furnishings. The City of Portsmouth, seated in the center of a regional population of 1.2 million, fits this description.

Currently, 83% of the City’s \$1.28 million total tax abatement is attributable to tax relief for eligible senior and disabled citizens earning \$19,000 or less, resulting in \$1.07 million of tax relief exemptions in accordance with the City’s scaled exemption table. Therefore, 17% of the total tax abatement is attributable to tax freezes for eligible senior and disabled citizens earning \$40,000 or less, resulting in \$217,000 of tax freeze exemptions.

The committee is addressing the following concerns:

- Raising the eligibility for the maximum tax relief exemption up to the \$19,000 income eligibility threshold would result in an additional tax abatement of \$740,912.
- Providing citizens receiving the tax freeze exemption with the maximum tax relief exemption up to the \$40,000 income eligibility threshold would result in an additional tax abatement of \$208,914.
- If the tax abatement and tax freeze programs were increased above the \$19,000 and \$40,000 thresholds, respectively, toward either the \$52,000 or \$68,210 tax relief level, an entirely new population of potential applicants would become available. Assessing this impact will require access to state and federal databases to fully understand city income levels derived from various forms of personal income.

Recommendation: Focus adjusting the eligibility and thresholds between full and partial tax relief at some level above \$19,000 and \$40,000, respectively, to a level considered fiscally appropriate and responsive to citizens.

Next Steps: Present recommendation for full consideration at the next 2005 City Council meeting.

Real Estate Tax Relief Thresholds

Entity	Program Title	Income Limit	Financial Worth Limit
State Code	Tax Exemption	50,000	200,000
Portsmouth	Tax Abatement	19,000	64,200
	Tax Freeze	40,000	150,000
Norfolk	Tax Exemption	50,000	200,000
Suffolk	Tax Exemption	42,500	200,000
Chesapeake	Tax Exemption	45,000	200,000
Newport News	Tax Relief	50,000	200,000