

City of Hampton Real Estate Tax Relief Program



Hampton City Council
February 10, 2016

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for
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REAL ESTATE TAX REDUCTION PROGRAMS

Real Estate Tax Relief for Elderly and Disabled (Local Option)

- Freeze
- Deferral
- Exemption (Grandfathered)



Disabled Veterans Real Estate Tax Exemption (State Mandated)

LOCAL OPTION PROGRAM REQUIREMENTS

- In order to qualify for Hampton's Real Estate Tax Relief Program, the real property must be owned and occupied by someone who is either:
 - Sixty-five (65) years of age or older; or
 - Permanently and totally disabled

Note: A dwelling jointly held by a husband and wife may qualify if either spouse meets one of the above conditions.

LOCAL OPTION PROGRAM REQUIREMENTS (contd.)

- Maximum household income of \$50,000.
- Net Worth (exclusive of home) cannot exceed \$200,000.
- Exclusion of ten (10) acres of land upon which the house sits.
- Exclusion up to \$7,000 of income for other individual(s) who live on the premises.

TAX RELIEF AVAILABLE TO HAMPTON HOMEOWNERS FOR NEW APPLICANTS

- **TAX FREEZE** – amount of tax payment is frozen at the tax paid in the initial year they entered the program. Tax payment will not increase and if the tax decreases in a subsequent year the homeowner will pay the lower tax.
- **DEFERRAL** –postpone paying all or a portion of tax. Deferral of tax constitutes a lien on the property. The deferred tax becomes due the earlier of the property sale date or within one year from the death of last qualifying owner. The accumulated deferred tax is not subject to penalty or interest unless paid **AFTER** the due date. City will not attempt to collect on the lien until after taxes become due and delinquent.

EXEMPTION (GRANDFATHERED)

Only available to qualifying homeowners who were in the program on July 1, 2013 and continue to meet qualifications

Income Level	Tax Relief
\$0 - \$25,000	100% tax credit
\$25,001 - \$27,000	75% tax credit
\$27,001 - \$29,000	50% tax credit
\$29,001 - \$31,000	25% tax credit

FY14 and FY15 and FY16 REAL ESTATE TAX RELIEF LOCAL OPTION

Program	FY14 Tax Revenue Impact	FY15 Tax Revenue Impact	FY16 Tax Revenue Impact
25% - 100% Exemption	\$1,748,031 1,298 parcels	\$1,548,175 1,183 parcels	\$1,360,775 1,025 parcels
Freeze	\$ 98,288 543 parcels	\$ 73,595 494 parcels	\$ 53,465 438 parcels
Deferral	\$ 24,455 12 parcels	\$ 151,386 96 parcels	\$ 224,415 134 parcels
Total	\$1,870,774 1,853 parcels	\$1,773,156 1,773 parcels	\$1,638,655 1,597 parcels

FY14 and FY15 and FY16 DISABLED VETERAN TAX EXEMPTION STATE MANDATED

Program		FY14 Tax Revenue Impact		FY15 Tax Revenue Impact		FY16 Tax Revenue Impact
Disabled Veteran		\$1,029,452+ 437 parcels		\$1,260,511+ 556 parcels		\$1,361,527+ 578 parcels

CONSIDERATIONS FOR COUNCIL

- Hampton City Council recognized an increased real estate tax revenue loss when the Code of Virginia mandated real estate tax exemption for disabled veterans.

- In 2014 Council made revisions to the local ordinance for the real estate tax relief program:
 - Removed interest from repayment of deferred tax
 - Grandfathered the exemption program for those who received an exemption in FY14
 - Implementation delayed until July 1, 2016

CONSIDERATIONS FOR COUNCIL

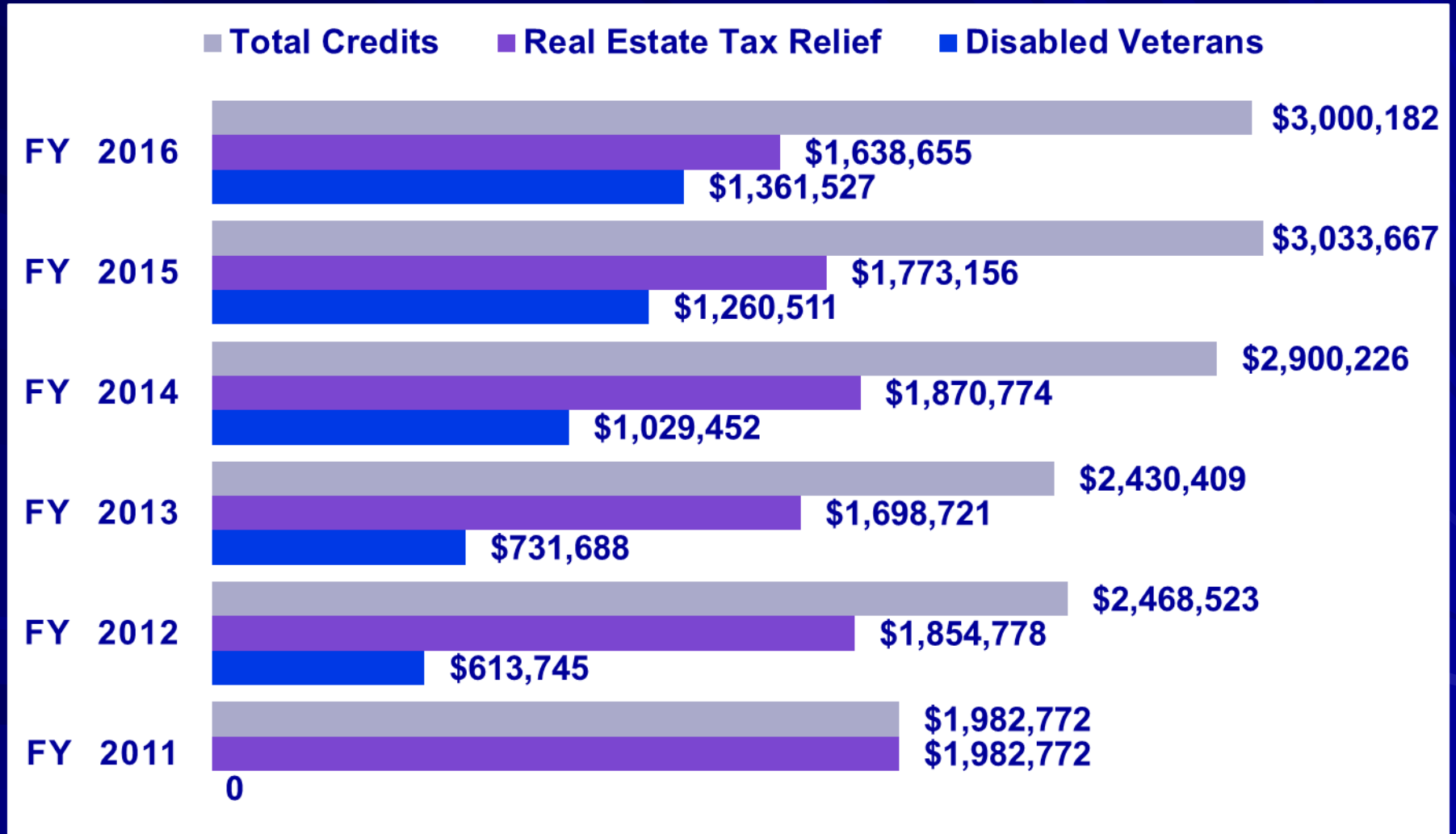
- Removal of interest from repayment of deferred tax has resulted in an increase in the FY15 and FY16 participants
- Mortgage companies do not allow tax deferral
- Our office has communicated with applicants in the grandfathered exemption program to explain the freeze and deferral options
- Citizen Coalition united to request Council indefinitely extend exemption program to all FY14 participants without regard to mortgage status

CONSIDERATIONS FOR COUNCIL

CONTINUE TO GRANDFATHER THE EXEMPTION:

- Hampton City Code Section 37-117 recognizes qualifying individuals are deemed to be bearing an extraordinary real estate tax burden in relation to their income and net worth.
- Since FY14, the 25%-100% real estate tax exemption program has seen a decrease of 273 participants and tax revenue loss has also declined by roughly \$400,000.

DISABLED VETERANS TAX EXEMPTION REAL ESTATE TAX RELIEF SUMMARY



City of Hampton Recreational Vehicles



RECREATIONAL VEHICLE TAX RATES CURRENT AND PROPOSED

Type	Current License Fee	Number of items		State Rate	Proposed Rate	Current Revenue	Proposed Revenue Increase
Motor Home	\$20.00	28	@ 4000lbs or less	\$40.75	\$40.00	\$560.00	\$1,120.00
Motor Home	\$20.00	394	@4001lbs or more	\$45.75	\$45.00	\$7,880.00	\$17,730.00
	SUB TOTAL	422			SUB TOTAL	\$8,440.00	\$18,850.00
Travel Trailer	\$20.50	834	N/A	\$29.50	\$29.00	\$17,097.00	\$24,186.00
Camp Trailer	\$6.50	23	@1500lbs or less	\$18.00	\$18.00	\$149.50	\$414.00
Camp Trailer	\$6.50	73	@1500lbs or more	\$28.50	\$28.00	\$474.50	\$2,044.00
	SUB TOTAL	<u>930</u>			SUB TOTAL	<u>\$17,721.00</u>	<u>\$26,644.00</u>
TOTAL							
		1,352				\$26,161.00	\$45,494.00
PROPOSED REVENUE INCREASE							\$19,333.00
	Number of items	Assessment			Proposed Rate		Proposed Revenue Increase
Motor Home	422	11,119,977			\$1.00		\$111,199.77
Trailer (Camping & Travel)	<u>930</u>	<u>6,725,900</u>			\$1.00		<u>\$67,259.00</u>
TOTAL	1,352	17,845,877					\$178,458.77