

**City of Alexandria, Virginia  
 FY 2025 Proposed Operating Budget & CIP  
 Budget Questions & Answers**

**March 22, 2024**

**Question:**

What would it cost to increase the household gross combined income maximum limit from \$40,000? How does Alexandria’s property tax relief program for seniors with limited resources compare to those of neighboring jurisdictions? What would it cost to increase the asset limit by 10%, 25%, 50%?

**Response:**

**Gross Income Changes:**

Based on Tax Year 2023 data, the following table presents the current array of Tax Relief for the Elderly and Disabled (excludes relief provided to Disabled Veterans). The existing program provides graduated tax relief for incomes up to \$72,000:

Existing Program, Maximum Allowable Net Assets for applicants = \$430,000 (not including the value of the home).						
% Relief	Income Range	Count	Approximate			
			Average Assessment	Taxes Relieved	Average Income	Approximate Average Assets
100%	<= \$40,000	410	\$488,660	\$2,169,655	\$28,698	\$159,411
50%	\$40,001 - \$55,000	143	\$517,450	\$407,100	\$48,188	\$206,569
25%	\$55,001 - \$72,000	90	\$520,087	\$129,464	\$64,435	\$222,516
		643	\$499,462	\$2,706,219	\$38,649	\$180,036
Deferral	\$72,001 - \$100,000	1	\$278,620	---	---	---

The fiscal impact from raising the income limit all depends on the amount of increase and the percentage of relief Council desires to provide. Two possible income scenarios are presented below and are roughly estimated based on an extrapolation from Census data. Other scenarios can likewise be considered.

**Scenario 1: Extend graduated tax relief for incomes up to \$100,000**

If Council raises the income limit for 100% relief from \$40,000 to \$55,000, it is roughly estimated that this would reduce FY 2025 General Fund revenue by approximately \$407,100.

If new income ranges are also established for relief at 50% and 25%, it is similarly estimated this would reduce revenue by another \$620,899. The combined impact is estimated to be approximately \$1.03 million in additional lost revenue in FY 2025. Scenario 1 is estimated to add approximately 253 applicants to the program, and is summarized below:

**Scenario 1**

Income Range	Current	New	Existing Applicants	Additional Applicants	Revised Total Applicants	Current Program Revenue	Additional Revenue Loss	Revised Total Revenue Relieved
<= \$40,000	100%	100%	410	0	410	\$2,169,655	\$0	\$2,169,655
\$40,001 - \$55,000	50%	100%	143	0	143	\$407,100	\$407,100	\$814,200
\$55,001 - \$72,000	25%	50%	90	0	90	\$129,464	\$129,464	\$258,928
\$72,001 - \$100,000	---	25%	0	253	253	\$0	\$491,435	\$491,435
			643	253	896	\$2,706,219	\$1,027,999	\$3,734,218

Deferral increased to \$100,001 - \$120,000. Assumes Maximum Allowable Net Assets remains at \$430,000 (excluding value of the home and 1 acre).

**Scenario 2: Extend graduated tax relief for incomes up to \$120,000**

As in Scenario 1, the second scenario raises the maximum income threshold for 100% relief from \$40,000 to \$55,000, but relief would be set at 75% for incomes ranging from \$55,001 - \$72,000; and 50% for incomes at \$72,001 - \$100,000; and 25% for incomes from \$100,001 - \$120,000. It is roughly estimated that the combined impact would be approximately \$2.05 million in additional lost revenue in FY 2025. Scenario 2 is estimated to add approximately 460 applicants to the program and is summarized below:

**Scenario 2**

Income Range	Current	New	Existing Applicants	Additional Applicants	Revised Total Applicants	Current Program Revenue	Additional Revenue Loss	Revised Total Revenue Relieved
<= \$40,000	100%	100%	410	0	410	\$2,169,655	\$0	\$2,169,655
\$40,001 - \$55,000	50%	100%	143	0	143	\$407,100	\$407,100	\$814,200
\$55,001 - \$72,000	25%	75%	90	0	90	\$129,464	\$258,928	\$388,392
\$72,001 - \$100,000	---	50%	0	253	253	\$0	\$982,871	\$982,871
\$100,001 - \$120,000	---	25%	0	207	207	\$0	\$400,604	\$400,604
			643	460	1,103	\$2,706,219	\$2,049,503	\$4,755,722

Deferral increased \$120,001 - \$130,000. Assumes Maximum Allowable Net Assets remains at \$430,000 (excluding value of the home and 1 acre).

**Net Asset (Net Worth) Changes:**

As shown below, the City’s allowable net assets are reasonably close to those of our neighboring jurisdictions. Unfortunately, staff has minimal data from which to calculate a reasonable estimate of the impact of changing net assets for the Tax Relief program.

According to the Federal Reserve in a report dated October 2023, the median net worth of persons 65 and older ranged in 2022 from \$335,600 to \$409,900, however, the average ranged from \$1.6 million to \$1.8 million. For all homeowners regardless of age, the median was \$396,200, with an average net worth of \$1.5 million. However, this is national data only.

On March 18, 2024, staff received tax relief data from Loudoun County that assists with a rough estimation of net assets for the City’s program. Loudoun has approximately 88 applicants with income less than \$70,000 and net assets between \$430,000.01 - \$560,000.

If you assume the City has a comparable number as Loudoun, adjusting for our relative population size, that would suggest we have approximately 31 senior owners with the same level of net assets. Using the existing program income thresholds, a comparable increase in net assets would result in an additional loss of about \$190,000.

While this estimate appears to offer a reasonable order of magnitude, it does assume that net asset characteristics in the City mirror those in Loudoun County.

**Survey of Tax Relief Thresholds in Other Northern Virginia Jurisdictions:**

Jurisdiction	Relief	Gross Household Income Range	Maximum Allowable Net Assets	Income Exclusions
<b>Alexandria</b>	100%	\$40,000 or Less	\$430,000	Non-owning relatives residing in dwelling, other than spouse, exclude first \$10,000 of their income. Applicants permanently and disabled exclude first \$10,000 of income.
	50%	\$40,001 - \$55,000	\$430,000	
	25%	\$55,001 - \$72,000	\$430,000	
	Deferral	\$72,001 - \$100,000	\$430,000	
<b>Arlington County</b>	100%	\$58,535 or Less	\$486,098	Up to \$10,000 of income is disregarded for each household member who is not an owner or spouse. Disability benefits (received based on disability only) is excluded for owner or spouse.
	75%	\$58,535.01 - \$71,445	\$486,098	
	50%	\$71,445.01 - \$84,550	\$486,098	
	25%	\$84,550.01 - \$104,064	\$486,098	
	Deferral	\$0 - \$129,446	\$656,232	
<b>Falls Church City</b>	100%	\$60,000 or Less	\$500,000	N/A
	75%	\$60,001 - \$70,000	\$500,000	
	50%	\$70,001 - \$80,000	\$500,000	
	25%	\$80,001 - \$90,000	\$500,000	
	Deferral	\$0 - \$175,000	\$501,000 - \$800,000	
<b>Fairfax City</b>	100%	\$65,000 or Less	\$400,000	Up to \$6,500 of income is disregarded for each household member who is a relative (other than spouse). Permanently and totally disabled can deduct first \$10,000.
	50%	\$65,001 - \$75,000	\$400,000	
	25%	\$75,001 - \$85,000	\$400,000	
	Deferral	N/A		
<b>Fairfax County</b>	100%	\$60,000 or Less	\$400,000	Non-owning relatives residing in dwelling, other than spouse, excludes first \$6,500 of their income. Applicants permanently and disabled exclude first \$7,500 of income. Relatives, other than spouse, who are permanently and totally disabled may exclude their income due to their disability.
	75%	\$60,001 - \$70,000	\$400,000	
	50%	\$70,001 - \$80,000	\$400,000	
	25%	\$80,001 - \$90,000	\$400,000	
	Deferral	\$90,001 - \$100,000	\$500,000	
<b>Loudoun County</b>	100%	\$77,000 or Less	\$440,000	Up to \$10,000 of income is disregarded for the spouse and each household member who is not an owner. Disability benefits (received based on disability only) is excluded for owner or spouse.
	50%	\$70,000 or Less	\$440,000.01 - \$560,000	
	50%	\$63,000 or Less	\$560,000.01 - \$680,000	
	50%	\$56,000 or Less	\$680,000.01 - \$800,000	
	50%	\$49,000 or Less	\$800,000.01 - \$920,000	
	Deferral	N/A		
<b>Prince William County</b>	100%	\$76,250 or Less	\$340,000	Up to \$10,000 of income is disregarded for each household member who is a relative (other than spouse). Permanently and totally disabled can deduct first \$7,500.
	75%	\$76,251 - \$87,688	\$340,000	
	50%	\$87,689 - \$99,125	\$340,000	
	25%	\$99,126 - \$110,563	\$340,000	
	Deferral	N/A		