



City of Dallas

Ad Valorem Tax Relief for Over-65 or Disabled Homeowners

**Government Performance & Financial
Management Committee
May 23, 2022**

**M. Elizabeth Reich
Chief Financial Officer**

**Jack Ireland, Director
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Overview



- Review background
- Discuss current property tax exemptions
- Consider options to change age-65/over or disabled exemption in compliance with FMPC #23
- Review recommendation and next steps



Property Tax Overview



- Ad valorem (property) taxes are single largest revenue source for City at nearly \$1.2B
 - General Fund: \$876.5M or 73% of revenue
 - Debt Service: \$321.3M or 27% of revenue
- Ad valorem taxes are based on:
 - Property values determined by appraisal districts
 - Exemptions set by City Council
 - Tax rate set by City Council



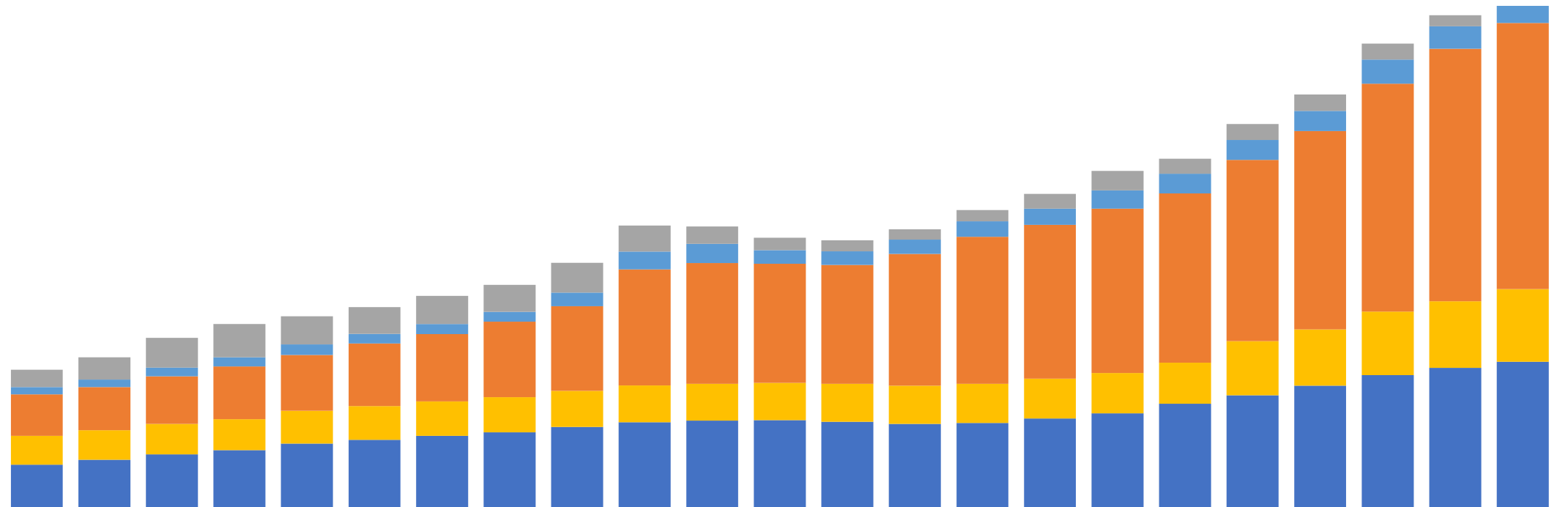
Property Tax Overview



- Property values in Dallas total \$155.9B for FY 2021-22 and are categorized by property use/purpose
 - 45% – Residential (single-family homes and home-site land)
 - 55% – Non-residential (commercial and business personal property)
- Taxable property values represent market value (determined by appraisal districts) net of exemptions
- \$46.8B value is exempt from taxation in FY 2021-22 resulting in \$360.9M revenue forgone
- Exemptions authorized by City Council include:
 - 20% homestead exemption (maximum allowed by state law)
 - \$107,000 age-65/over or disabled exemption



Historical Value of Exemptions (\$ in billions)



	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Total	\$12.5	\$13.6	\$15.3	\$16.6	\$17.3	\$18.1	\$19.1	\$20.1	\$22.0	\$25.4	\$25.3	\$24.3	\$24.1	\$25.0	\$26.7	\$28.2	\$30.3	\$31.3	\$34.5	\$37.1	\$41.6	\$44.2	\$46.8
Other	\$1.6	\$2.0	\$2.7	\$3.0	\$2.5	\$2.4	\$2.5	\$2.4	\$2.7	\$2.3	\$1.6	\$1.1	\$1.0	\$0.9	\$1.0	\$1.3	\$1.7	\$1.3	\$1.4	\$1.5	\$1.4	\$1.0	\$1.4
Freeport	\$0.6	\$0.7	\$0.8	\$0.8	\$0.9	\$0.9	\$0.9	\$0.9	\$1.2	\$1.6	\$1.7	\$1.2	\$1.2	\$1.3	\$1.4	\$1.4	\$1.6	\$1.8	\$1.8	\$1.8	\$2.2	\$2.0	\$2.0
Totally Exempt	\$3.7	\$3.9	\$4.3	\$4.7	\$5.0	\$5.6	\$6.0	\$6.8	\$7.6	\$10.4	\$10.8	\$10.6	\$10.6	\$11.8	\$13.1	\$13.8	\$14.7	\$15.1	\$16.2	\$17.7	\$20.4	\$22.6	\$23.8
Over-65/Disabled	\$2.6	\$2.6	\$2.7	\$2.8	\$2.9	\$3.0	\$3.1	\$3.1	\$3.2	\$3.3	\$3.3	\$3.3	\$3.4	\$3.4	\$3.5	\$3.6	\$3.6	\$3.7	\$4.8	\$5.0	\$5.7	\$6.0	\$6.5
Homestead	\$4.0	\$4.4	\$4.9	\$5.3	\$5.9	\$6.2	\$6.6	\$6.9	\$7.4	\$7.8	\$7.9	\$8.0	\$7.8	\$7.6	\$7.7	\$8.1	\$8.6	\$9.4	\$10.2	\$11.1	\$12.0	\$12.6	\$13.2



■ Homestead
 ■ Over-65/Disabled
 ■ Totally Exempt
 ■ Freeport
 ■ Other

Tax Exemptions – Homestead



- City Council authorized 20% homestead exemption for owner-occupied residential property, the maximum allowed by state law (4/13/88)
- Offers across-the-board tax relief for all homeowners
- Removes part of home's value from taxation
- Homestead exemptions account for \$13.2B value being exempt from taxes and \$102M revenue forgone



Tax Exemptions – Age-65/over or Disabled



- City Council authorized owner-occupied residential property exemptions for homeowners age-65/over or disabled
 - Established at \$50,000 (4/23/86)
 - Increased to \$64,000 (9/17/86)
 - Increased to \$90,000 (6/28/17)
 - Increased to \$100,000 (6/12/19)
 - Increased to \$107,000 (6/9/21)
- Increased 3 times for total 67% since 2016
- Offers additional tax relief for homeowners who are age-65/over or disabled
 - Set dollar amount that reduces home's taxable value and homeowner's tax bill



Tax Exemptions – Age-65/over or Disabled



- Eligible homeowners pay no City taxes if market value is \$133,750 or less
 - 20% homestead + \$107,000 age-65/over or disabled exemptions
- Age-65/over or disabled exemptions account for \$6.5B value being exempt from taxes and \$50.3M revenue forgone

Tax Year & Fiscal Year	Approved Exemption	Value of Exemption (in Billions)	Revenue Foregone (In Millions)	Average SFH Market Value
2016 (FY17)	\$64,000	\$3.7B	\$25.7M	\$229,627
2017 (FY18)	\$90,000	\$4.8B	\$37.8M	\$248,772
2019 (FY20)	\$100,000	\$5.7B	\$43.7M	\$303,601
2021 (FY22)	\$107,000	\$6.5B	\$50.3M	\$328,453



Tax Exemptions – Age-65/over or Disabled



- \$64,000 (since 9/17/86)

- \$64,000 to \$90,000 (6/28/17)

- \$90,000 to \$100,000 (6/12/19)

- \$100,000 to \$107,000 (6/9/21)

Age-65/over or Disabled Exemption Historical Revenue Foregone
(in Million Dollars)



Financial Management Performance Criteria #23



- Required to annually compare current exemption for individuals age-65/over or disabled to whichever is greater of the following:
 - A. Most recent annual Consumer Price Index - Elderly (CPI-E)
 - B. Year-over-year change in average residential market value
- Required to provide analysis to City Council prior to June 30 for possible increase
- Must provide changes to property tax exemptions to appraisal districts no later than June 30



Financial Management Performance Criteria #23



Over-65/Disabled Exemption Analysis

	Current Exemption \$107,000	Scenario A (CPI-E Apr 2021 to Apr 2022) \$115,154	Scenario B (Annual Growth Tax Year 2020 to 2021) \$108,498
Percent Change in Exemption	N/A	7.62%	1.40%
Change in Exemption	No Change	\$8,154	\$1,498
# of 65/over or Disabled Accounts	74,527	74,527	74,527
Value of exemption	\$6.5B	+\$607.7M	+\$111.6M
Total revenue foregone	\$50.3M	+\$4.7M	+\$0.8M
City tax bill*	\$1,204.51	\$1,141.46	\$1,192.93
Change in City tax bill	-	(\$63.05)	(\$11.58)

*Assumes average value of \$328,453 and 20% homestead exemption plus age-65/over or disabled exemption

Recommend increase from \$107,000 to \$115,500



Other Tax Relief Options



- Other protections and options for age-65/over or disabled home-owners
 - Quarterly payments without penalty and interest
 - Taxpayer with fixed income may request to pay property taxes in four equal payments
 - Must submit initial payment and request by January 31
 - File tax “deferral” if unable to pay
 - Deferral allowed on residence homestead until taxpayer no longer owns or occupies the home
 - Protects property from being sold for back taxes during ownership
 - Property taxes continue to accrue during deferral period and interest will be assessed at the rate of 5% per year
 - Once deferral ends, all accrued taxes, penalty, and interest are due within 180 days



Recommendation and Next Steps



- Recommend increasing age-65 and older or disabled exemption from \$107,000 to **\$115,500**
- Receive GPFM feedback
- City Council consider change to exemption at agenda meeting on 6/8/22
- Submit changes to appraisal districts no later than 6/30/22 to implement with tax year 2022 (FY 2022-23)





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