

Memorandum



CITY OF DALLAS

DATE June 21, 2024

TO Honorable Mayor and Members of the City Council

SUBJECT **Age 65 or Older or Disabled Property Tax Exemption**

City Council has demonstrated commitment to providing property tax relief for homeowners that are age 65 or older or disabled. Over the last seven years, the City Council has increased the over-65/disabled exemption five times from \$64,000 to \$139,400 or approximately 118%. This exempts a portion of the properties' value from being taxed, therefore, reducing the owner's tax bill. On June 26, City Council will have the opportunity to provide additional property tax relief for homeowners that are over-65/disabled.

On June 12, you discussed an agenda item regarding the over-65/disabled exemption and chose to defer the item to June 26. On June 12, you considered approval of an increase in the over-65/disabled exemption from the current exemption of \$139,400 to \$153,400 or as an alternative, you considered an increase from the current exemption of \$139,400 to \$145,400. In both cases, this represents an increase to the over-65/disabled exemption and provides additional property tax relief.

On Wednesday, June 26, you will again have the opportunity to consider the exemption. In order to change the exemption for the upcoming tax year, it is necessary that changes be approved by the City Council and communicated to the Central Appraisal Districts no later than June 30.

As a point of background, the City Council has an approved Financial Management Performance Criteria (FMPC) that speaks to this exemption.

FMPC #23. Over-65 and Disabled Homestead Exemption. The City will compare the current disabled and over-65 exemption to the most recent annual Consumer Price Index for the Elderly (CPI-E), and the year-over-year change in the average residential market value (whichever is greater) annually and provide the analysis of each scenario to City Council for consideration prior to June 30 for possible modification of this property tax exemption. Changes to property tax exemptions must be provided to the appraisal districts no later than June 30.

On May 21, 2024, the Government Performance and Financial Management (GPFM) Committee was [briefed](#) on Ad Valorem Tax Relief for Over-65 or Disabled homeowners using the two calculations outlined in the FMPC. The committee requested additional calculations that were provided by [memorandum](#) on May 24.

While the FMPC specifies that the year-over-year change in the average residential market value be considered, GPFM requested a calculation that considers the year-over-year change in the median residential market value. Average is an appropriate measure when all of the values are more evenly distributed, while median is a more appropriate measure when the values have significant outliers that would otherwise skew the results. In the case of residential property values in Dallas, there are several high-valued properties that are outliers. The below table shows the calculations provided to GPFM by memorandum on May 24.

		Option A	Option B	Option C	Option D	Option E
	Current Exemption	Change in CPI-E	Year-over-Year change in Average Value ¹	Change in CPI ²	Year-over-Year change in Median Value ³	Average of Option A and Option B - Blended ⁴
Percent Change in Exemption		3.65%	9.99%	3.36%	4.30%	6.82%
Change in Exemption		\$5,086	\$13,937	\$4,684	\$5,999	\$9,512
Exemption	\$139,400	\$144,486	\$153,337	\$144,084	\$145,399	\$148,912
# of 65/over or Disabled Accounts	72,571	72,571	72,571	72,571	72,571	72,571
Value of Exemption	\$8.5B	+\$369.1M	+\$1.0B	+\$339.9M	\$435.4M	\$690.3M
Total Revenue Foregone	\$62.7M	+\$2.7M	+\$7.4M	+\$2.5M	+\$3.2M	+\$5.1M
City Tax Bill	\$1,540.10	\$1,502.68	\$1,437.56	\$1,505.64	\$1,495.96	\$1,470.12
Change in City Tax Bill	\$-	(\$37.42)	(\$102.53)	(\$34.46)	(\$44.14)	(\$69.98)

¹FMPC #23 effective FY22-Current, requires a comparison of the exemption to the most recent Consumer Price Index for the Elderly (CPI-E), and the year-over-year change in the average residential market value (whichever is greater).

²FMPC #23 effective FY19-FY21 compare the current disabled and over-65 exemption to the most recent annual Consumer Price Index (CPI) every two years and provide an analysis to City Council.

³On May 21, 2024, the Government Performance and Financial Management (GPFM) Committee requested a comparison of the year-over-year change in median value.

⁴On May 21, 2024, the GPFM Committee requested a "blended" option for consideration - Option E provides an average of the change in CPI-E and year-over-year change in average market value.

Your June 26 agenda item was prepared using the calculation as directed in the FMPC which is listed as Option B in the table above. This would increase the over-65/disabled exemption from \$139,400 to \$153,400. The subject of the agenda item reads as follows:

Authorize an increase in the homestead property tax exemption for persons who are disabled or 65 or older from \$139,400 to \$153,400 beginning with the 2024 tax year (fiscal year beginning October 1, 2024) - Total Estimated Annual Revenue Foregone: General Fund (\$5,402,040) and Debt Service Fund (\$2,072,628) (This item was deferred on June 12, 2024)

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On June 12, City Council considered setting the over-65/disabled exemption based on the year-over-year change in median residential market value which is listed as Option D in the table above. This would increase the over-65/disabled exemption from \$139,400 to \$145,400.

Both options provide more property tax relief to over-65/disabled homeowners than offered in the current year.

If you have any questions, please contact me or Janette Weedon, Director of Budget and Management Services.



Jack Ireland
Chief Financial Officer

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| Kimberly Bizer Tolbert, City Manager (I) | M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager |
| Tammy Palomino, City Attorney | Alina Ciocan, Assistant City Manager |
| Mark Swann, City Auditor | Donzell Gipson, Assistant City Manager (I) |
| Biliera Johnson, City Secretary | Robin Bentley, Assistant City Manager (I) |
| Preston Robinson, Administrative Judge | Elizabeth Saab, Chief of Strategy, Engagement, and Alignment (I) |
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