



City of Dallas

Ad Valorem Tax Relief for Over-65 or Disabled Homeowners

**Government Performance &
Financial Management Committee
May 21, 2024**

Janette Weedon, Director
Ivan Guel, Assistant Director
Budget & Management Services

Presentation Outline



- Property Tax Overview
- 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 \$1.4B
 - General Fund: \$1.03B or 72% of revenue
 - Debt Service: \$398.4M or 28% 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



- Current tax rate is 73.57¢ per \$100 valuation
- City Council has lowered the adopted tax rate for the last eight years, a total reduction of 6.13¢ or 7.7%

Fiscal Year	General Fund	Debt Service	Total	Reduction	Forgone Revenue in FY24
FY 2015-16	56.46¢ (70.8%)	23.24¢ (29.2%)	79.70¢		
FY 2016-17	56.01¢ (71.6%)	22.24¢ (28.4%)	78.25¢	-1.45¢	\$25.6M
FY 2017-18	55.80¢ (71.5%)	22.24¢ (28.5%)	78.04¢	-0.21¢	\$3.7M
FY 2018-19	56.67¢ (73.0%)	21.00¢ (27.0%)	77.67¢	-0.37¢	\$6.5M
FY 2019-20	56.91¢ (73.3%)	20.75¢ (26.7%)	77.66¢	-0.01¢	\$0.2M
FY 2020-21	56.88¢ (73.3%)	20.75¢ (26.7%)	77.63¢	-0.03¢	\$0.5M
FY 2021-22	56.58¢ (73.2%)	20.75¢ (26.8%)	77.33¢	-0.30¢	\$5.3M
FY 2022-23	54.03¢ (72.4%)	20.55¢ (27.6%)	74.58¢	-2.75¢	\$48.5M
FY 2023-24	53.17¢ (72.3%)	20.40¢ (27.7%)	73.57¢	-1.01¢	\$19.7M
			Total	-6.13¢	\$110.3M



Note: Forgone Revenue assumes an estimated collection rate.

Property Tax Overview



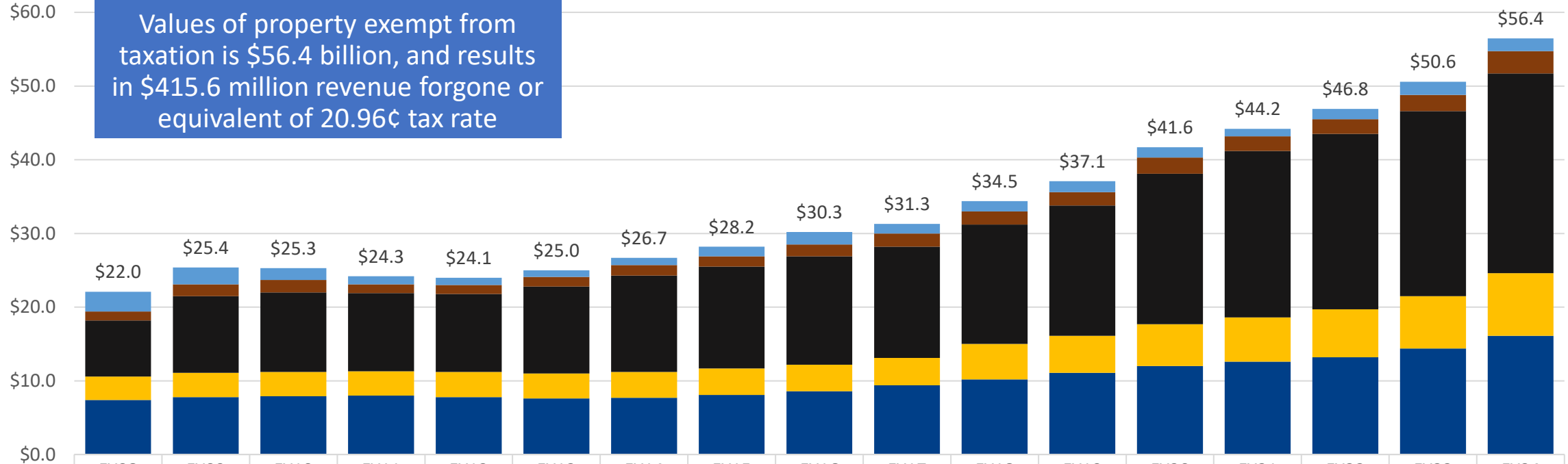
- Property values in Dallas total \$198.3B for FY 2023-24 and are categorized by property use/purpose
 - 45% - Residential (single-family homes and home-site land)
 - 55% - Non-residential (commercial and business personal property)
- Taxable property values represent market value (determined by appraisal districts) net of exemptions
- \$56.4B value is exempt from taxation in FY 2023-24 resulting in \$415.6M revenue forgone
- Exemptions authorized by City Council include:
 - 20% homestead exemption (maximum allowed by state law)
 - \$139,400 age-65/over or disabled exemption
 - 100% exemption for qualifying child-care facilities (beginning with the 2024 tax year)





Historical Value of Exemptions (\$ in billions)

Values of property exempt from taxation is \$56.4 billion, and results in \$415.6 million revenue forgone or equivalent of 20.96¢ tax rate



	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Total	\$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	\$50.6	\$56.4
Other	\$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	\$1.8	\$1.7
Freeport	\$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	\$2.2	\$3.0
Totally Exempt	\$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	\$25.1	\$27.1
Over-65/Disabled	\$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	\$7.1	\$8.5
Homestead	\$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	\$14.4	\$16.1

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





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 \$16.1B value being exempt from taxes and \$118.9M revenue forgone (which equals 6.00¢ tax rate)



Tax Exemption – Child-Care Facilities



- City Council authorized 100% exemption for qualified child-care facilities on 2/14/24 (new exemption authorized by the State and approved by Texas voters in November 2023)
- Exemption only applies to the value of the property used for child-care facility
- Child-care facility exemptions account for an estimated \$30.0M value being exempt from taxes and \$220K revenue forgone (which equals 0.01¢ tax rate)



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 to \$115,500 (6/8/22)
 - Increased to \$139,400 (6/14/23)
- 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 \$174,250 or less
 - 20% homestead + \$139,400 age-65/over or disabled exemptions
- Age-65/over or disabled exemptions account for \$8.5B value being exempt from taxes and \$62.7M revenue forgone (which equals 3.16¢ tax rate)

Tax Year & Fiscal Year	Approved Exemption	Value of Exemption (in Billions)	Revenue Forgone (In Millions)	Average SFH Market Value
2021 (FY22)	\$107,000	\$6.5B	\$50.3M	\$328,453
2022 (FY23)	\$115,500	\$7.1B	\$53.0M	\$396,300
2023 (FY24)	\$139,400	\$8.5B	\$62.7M	\$435,922



Tax Exemptions – Age-65/over or Disabled



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

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

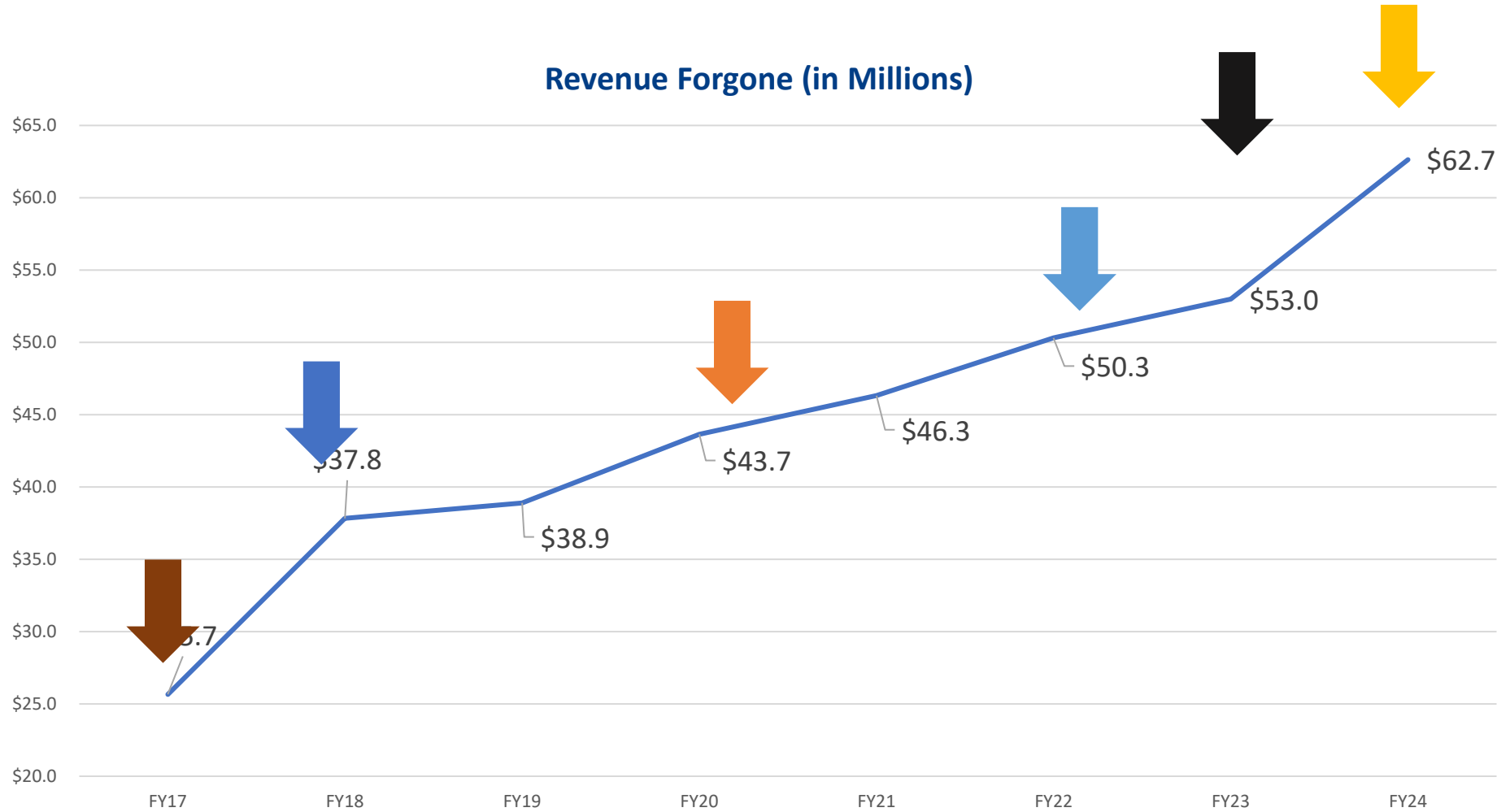
\$90,000 to \$100,000 (6/12/19)

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

\$107,000 to \$115,500 (6/8/22)

\$115,500 to \$139,400 (6/14/23)

Revenue Forgone (in Millions)



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



- A. Most recent annual Consumer Price Index – Elderly (CPI-E)
 - A. **3.65% increase** (April 2023 to April 2024)

- B. Year-over-year change in average residential market value (SFH)
 - A. **9.99% increase** (\$396K to \$435K Market Price)





Financial Management Performance Criteria #23

Over-65/Disabled Exemption Analysis

	Current Exemption \$139,400	Scenario A (CPI-E Apr 2023 to Apr 2024) \$144,486	Scenario B (Annual Growth Tax Year 2022 to 2023) \$153,337	Recommendation \$153,400**
Percent Change in Exemption	N/A	3.65%	9.99%	10.0%
Change in Exemption		\$5,086	\$13,937	\$14,000
# of 65/over or Disabled Accounts	72,571	72,571	72,571	72,571
Value of exemption	\$8.5B	+\$369.1M	+\$1.0B	+\$1.0B
Total revenue forgone	\$62.7M	+\$2.7M	+\$7.4M	+\$7.5M
City tax bill*	\$1,540.10	\$1,502.68	\$1,437.56	\$1,437.10
Change in City tax bill	\$-	(\$37.42)	(\$102.53)	(\$103.00)

*Assumes average value of \$435,922 and 20% homestead exemption plus age-65/over or disabled exemption

**Eligible homeowners pay no City taxes if market value is \$191,750 or less

Recommend increase from \$139,400 to \$153,400



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 \$139,400 to \$153,400
- Receive GPFM feedback
- City Council consider change to exemption at agenda meeting on 6/12/24
- Submit changes to appraisal districts no later than 6/30/24 to implement with tax year 2024 (FY 2024-25)





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