



City of Dallas

Ad Valorem Tax Relief for Over-65 or Disabled Homeowners

**Government Performance &
Financial Management Committee
May 22, 2023**

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

Outline



- 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 \$1.3B
 - General Fund: \$961.5M or 72% of revenue
 - Debt Service: \$365.7M 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 74.58¢ per \$100 valuation
- City Council has lowered the adopted tax rate for the last seven years, a total reduction of 5.12¢
- Property tax revenue amounts equivalent to tax rate
 - 1.00¢ = \$17.6M
 - 0.50¢ = \$8.8M
 - 0.25¢ = \$4.4 M

Fiscal Year	General Fund	Debt Service	Total	Reduction	Forgone Revenue in FY23
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
			Total	-5.12¢	\$90.3M



Property Tax Overview



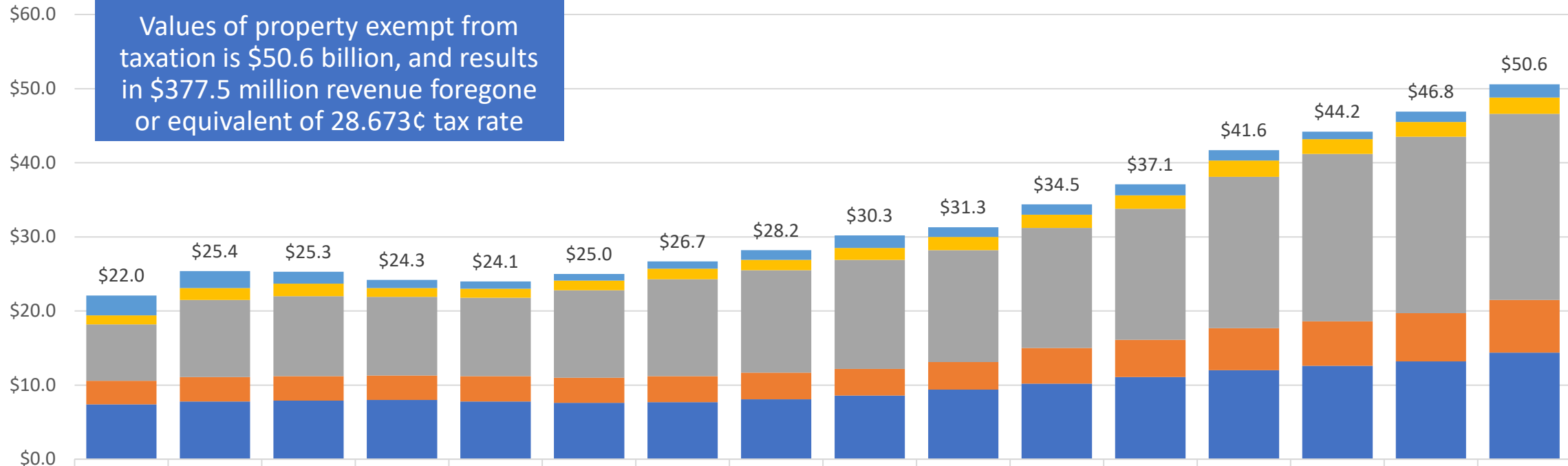
- Property values in Dallas total \$179.4B for FY 2022-23 and are categorized by property use/purpose
 - 45% - Residential (single-family homes and home-site land)
 - 55% - Non-residential (commercial and business personal property)
- Taxable property values represent market value (determined by appraisal districts) net of exemptions
- \$50.6B value is exempt from taxation in FY 2022-23 resulting in \$377.5M revenue forgone
- Exemptions authorized by City Council include:
 - 20% homestead exemption (maximum allowed by state law)
 - \$115,500 age-65/over or disabled exemption



Historical Value of Exemptions (\$ in billions)



Values of property exempt from taxation is \$50.6 billion, and results in \$377.5 million revenue foregone or equivalent of 28.673¢ tax rate



	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
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
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
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
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
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
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

■ 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 \$14.4B value being exempt from taxes and \$107.6M revenue forgone (which equals 5.997¢ 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)
- 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 \$144,375 or less
 - 20% homestead + \$115,500 age-65/over or disabled exemptions
- Age-65/over or disabled exemptions account for \$7.1B value being exempt from taxes and \$53.0M revenue forgone (which equals 2.953¢ tax rate)

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
2022 (FY23)	\$115,500	\$7.1B	\$53.0M	\$396,300



Tax Exemptions – Age-65/over or Disabled



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

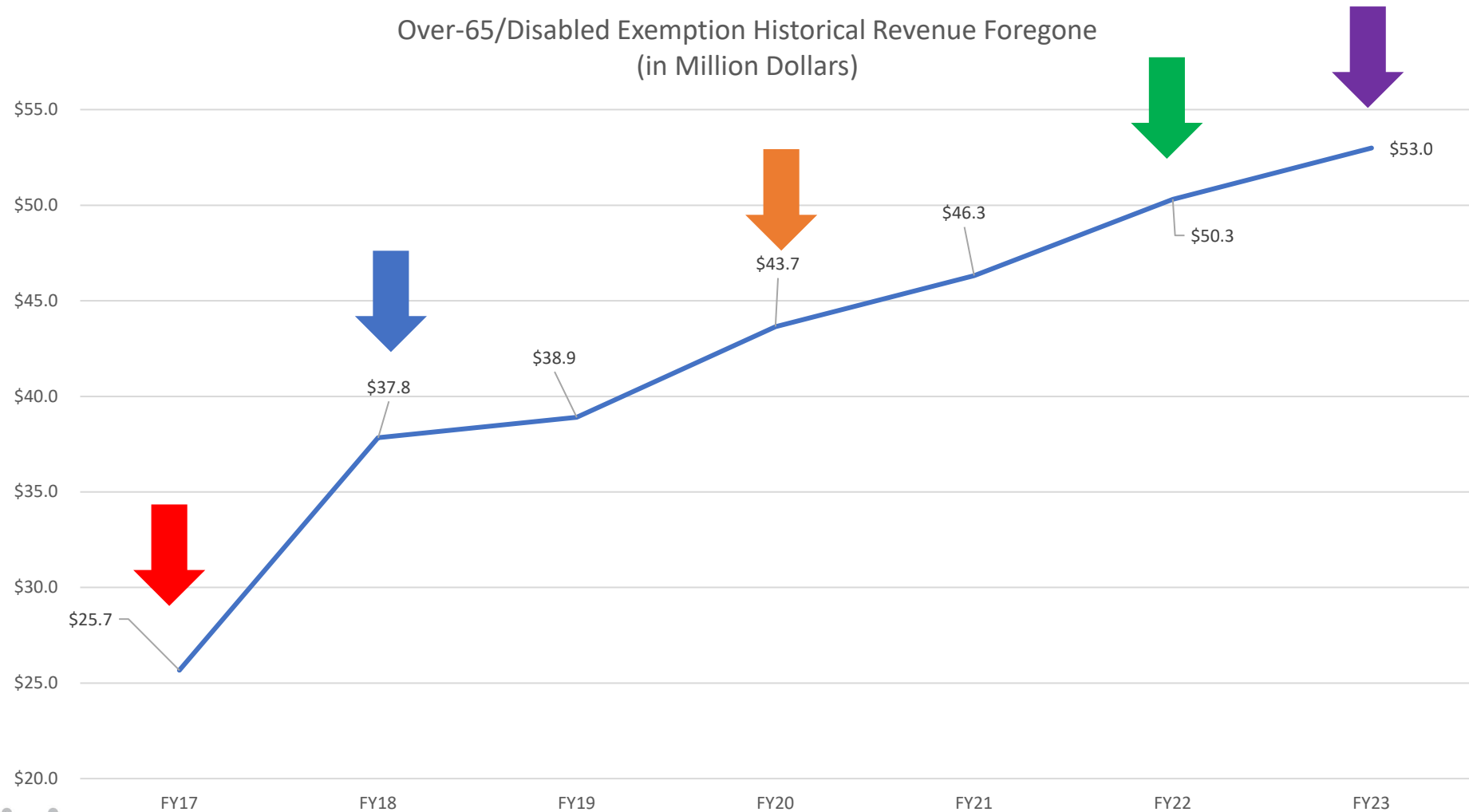
\$64,000 to
\$90,000 (6/28/17)

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

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

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

Over-65/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



A. Most recent annual Consumer Price Index – Elderly (CPI-E)

A. **5.43% increase** (April 2022 to April 2023)

B. Year-over-year change in average residential market value (SFH)

A. **20.66% increase** (\$328k to \$396k Market Price)



Financial Management Performance Criteria #23



Over-65/Disabled Exemption Analysis

	Current Exemption \$115,500	<u>Scenario A</u> (CPI-E Apr 2022 to Apr 2023) \$121,770	<u>Scenario B</u> (Annual Growth Tax Year 2021 to 2022) \$139,358	<u>Recommendation</u> \$139,400**
Percent Change in Exemption	N/A	5.43%	20.66%	20.69%
Change in Exemption		\$6,270	\$23,858	\$23,900
# of 65/over or Disabled Accounts	71,595	71,595	71,595	71,595
Value of exemption	\$7.1B	+\$448.9M	+\$1.7B	+\$1.7B
Total revenue foregone	\$53.0M	+\$3.3M	+\$12.7M	+\$12.8M
City tax bill*	\$1,503.09	\$1,453.33	\$1,325.15	\$1,324.84
Change in City tax bill	-	(\$46.76)	(\$177.94)	(\$178.25)

*Assumes average value of \$396,300 and 20% homestead exemption plus age-65/over or disabled exemption

**Eligible homeowners pay no City taxes if market value is \$174,250 or less

Recommend increase from \$115,500 to \$139,400



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 \$115,500 to \$139,400
- Receive GPFM feedback
- City Council consider change to exemption at agenda meeting on 6/14/23
- Submit changes to appraisal districts no later than 6/30/23 to implement with tax year 2023 (FY 2023-24)





financialtransparency.dallascityhall.com





City of Dallas

Ad Valorem Tax Relief for Over-65 or Disabled Homeowners

**Government Performance &
Financial Management Committee
May 22, 2023**

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