

**REPORT OF THE  
EQUITY AND REAL ESTATE TAXATION  
STUDY COMMISSION  
To  
THE GOVERNOR  
And  
THE GENERAL ASSEMBLY OF VIRGINIA**



**Senate Document No. 16**

COMMONWEALTH OF VIRGINIA  
Department of Purchases and Supply  
Richmond  
1972



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Report of the  
Equity and Real Estate Taxation Study Commission  
to  
The Governor and The General Assembly of Virginia  
Richmond, Virginia  
January 30, 1972

TO: HONORABLE LINWOOD HOLTON, *Governor of Virginia*  
and  
THE GENERAL ASSEMBLY OF VIRGINIA

### INTRODUCTION

This study is made pursuant to Senate Joint Resolution No. 5 agreed to during the 1971 Session of the General Assembly, which is as follows:

#### SENATE JOINT RESOLUTION NO. 5

Creating a commission to study the exemption from taxation of certain real estate of persons not less than sixty-five years of age and the advisability and feasibility of authorizing local government to impose service charges on owners of exempt property.

Whereas, the voters of Virginia at the referendum on the new Constitution held on November 3, 1970, ratified a new Constitution by a large margin thereby indicating their approval of changes set forth in such new Constitution; and

Whereas, the General Assembly can now authorize the governing bodies of any county, city, town, or regional government to provide for the partial or total exemption from local real estate taxation of real estate owned by and occupied as the sole dwelling of persons not less than sixty-five years of age under certain restrictions and conditions and to impose a service charge upon the owners of a class or classes of exempt property for services provided by such governments; and

Whereas, it is proper that a study be made as to the extent to which exemption from real estate taxes should be authorized and of the advisability and feasibility of authorizing political subdivisions to impose a service charge prior to enacting implementing legislation; now, therefore, be it

Resolved by the Senate, the House of Delegates concurring, That a commission is hereby created to be known as the Commission for Equity and Real Estate Taxation. The Commission shall be composed of eleven members of whom seven shall be appointed by the Speaker of the House of Delegates from the membership thereof, and four shall be appointed by the President of the Senate from the membership thereof. All agencies of the State shall assist the Commission in its work upon request.

The Commission shall, among other matters, consider the extent to which and under what conditions and restrictions such real estate should be exempted from local real estate taxation and what measures are required to insure that the legislation may be used only to achieve the benevolent purposes underlying the adoption of the Constitutional proposal. It shall further consider the advisability and feasibility of authorizing

local governments to impose a service charge upon owners of a class or classes of exempt property for services provided by such governments. If the Commission shall find it advisable and feasible it shall recommend legislation implementing such exemptions and charges. The members of the Commission shall receive no compensation for their services but shall be paid for necessary expenses for which and for such clerical, technical and other assistance that is required is hereby appropriated a sum of ten thousand dollars from the contingent fund of the General Assembly.

The Commission shall conclude its study and make its report to the Governor and General Assembly not later than November one, nineteen hundred seventy-one.

The newly revised Constitution of Virginia includes, in Article X, Section 6(b), a provision permitting the General Assembly by general law to authorize local and regional governments to provide relief from extraordinary property tax burdens on citizens 65 years of age or older. Also, under Section 6(g) of that Article, the General Assembly may authorize local governments to charge a fee for services rendered to owners of any or all classes of property presently exempt from taxation. The new Constitution was ratified by a large margin, indicating the voters' approval of these new provisions.

During 1971, Chapter 169 of the Acts of Assembly was enacted (and is codified in Section 58-760.1 of the Code of Virginia) authorizing local governments to exempt or defer all or parts of property taxes for certain property owners 65 years of age or older. Chapter 133, Acts of Assembly was enacted (and is codified in Section 58-16.2 of the Code of Virginia) authorizing localities to impose a service charge in lieu of taxes upon certain tax exempt real estate. The General Assembly enacted these measures because the voters who approved the new constitution signified their desire for enactment of these programs.

However, the General Assembly recognized the fact that other issues before the 1971 Special Session restricted the time available for an in depth study of these measures. As a consequence, Senate Joint Resolution 5 directed that this study be made.

The Commission has found that (1) the authority given local governments to exempt certain persons 65 years and older from part or all of the property taxes does not assure that all who might qualify will be afforded the same relief; (2) the local option feature of the act can conceivably discriminate against certain of our senior citizens solely because of their community of residence; (3) local governments, already hard pressed to find the funds with which to operate their governments, are asked to further deplete available funds by enacting these programs; (4) the 1971 act does not require graduated tax relief rates in proportion to the amount of a person's income; (5) senior citizens who do not own their homestead but who would otherwise be eligible are not directly included in the existing legislation; and (6) criteria for eligibility does not recognize variances in tax burdens according to geographic regions or cost of living areas within the Commonwealth.

In the second area of the Commission's study, that of a service charge on tax exempt property, the Commission has found that the legislation enacted at the 1971 Special Session is too restrictive. The need for a broader definition is clearly seen from the statements made to this Commission by local government officials who noted that up to 23% of their communities' property is presently exempt from taxation.

The Commission recommends legislation to broaden these provisions, including in the legislation features which insure that such charges be directly related and limited to costs budgeted and expended for such exempt property.

Our report suggests changes in both areas of our study. Recognizing the need to alleviate undue tax burdens for our senior citizens while limiting the negative effects on local governments and our elderly citizens, in the body of this report the Commission recommends the enactment of legislation which will correct these present inequities.

We know that several local governments are attempting, with their limited financial resources, to provide property tax relief for the elderly as authorized by the General Assembly. Many others are considering doing so. This Commission has concluded that property tax relief for the elderly should be a State program, offering uniform relief for all eligible senior citizens. We urge prompt enactment of legislation as contained in this report, with immediate appropriations to fund a State program of property tax relief, before localities implement their programs. We still have time to provide a uniform Statewide plan. If we wait, localities will be further impaired in performing vital local services for their citizens and many of our elderly will be again burdened with excessive taxes in proportion to their incomes.

The Commission holds the view that this report should present a plan that will provide property tax relief to low income senior citizens carrying excessive residential property tax burdens in relation to their family income, and that such relief should embrace every eligible citizen within our State.

To accomplish this purpose the Commission has departed from the local option approach provided in Article X, Section 6(b) of the Constitution and submits herewith a statewide plan to uniformly accomplish the end result, namely, relief from excessive property taxes for all of Virginia's low income senior citizens. Attached as an Appendix is letter opinion of the Attorney General dated January 25, 1972, citing the authority of the General Assembly to enact the legislation recommended in this report.

We have carefully studied each of these subjects, have heard testimony from interested parties, and strongly recommend your adoption of appropriate legislation to enact both proposals.

For their assistance we are indebted to Dr. Billy Dee Cook, Office of Research and Statistics, Department of the Budget, District of Columbia; Dr. Kenneth E. Quindry, Research Professor, Center of Business and Economic Research, University of Tennessee; Mr. William H. Forst, Commissioner, Department of Taxation; Dr. John. L. Knapp, Deputy Director, Division of State Planning and Community Affairs and from his staff, Mr. Robert G. Griffis, Chief, Research Service, and Mrs. Diane B. Chesson, Economist. Also, Mr. George Long, Executive Director, Virginia Association of Counties; Mr. Robert W. Wilson, Administrative Assistant to the Arlington County Manager; Mr. Joseph W. Weiss, Administrative Aide, Arlington County; Mr. Edward G. Heatwole, Director of Finance for Henrico County; Mr. Richard Chandler, Richmond City Assessor; Mr. John R. Shannon, Deputy Director, Advisory Commission on Intergovernmental Relations; Mr. Richard L. DeCair of the Virginia Municipal League and Mr. G. William White, Esq., Division of Statutory Research and Drafting.

## SUMMARY

Suggested Title: The Senior Citizens Property Tax Credit Act.

### *Major Purposes:*

1. To extend residential property tax relief to low income senior citizens carrying excessive residential property tax burdens in relation to their family income.
2. To remove the regressive stinger from the residential property taxes for senior citizens and provide a climate for more effective use of the local property tax base. Total property tax capacity is now limited because the tax is so regressive on residential properties.
3. To extend similar credit to low income senior citizens living in rented quarters.
4. To provide another avenue of State financial assistance to local governments. By accepting financial responsibility for the program, the State is, in effect, sharing its revenue with local governments. Credit to the elderly is greater at each income level where the property tax is higher, therefore, the plan tends to provide more credit to families in communities of higher taxes and rents. On the other hand, where taxes are highest, the cost of living to the elderly is also highest.

### *Outline of Program:*

1. "Income" is defined as federal adjusted gross income for Virginia income tax purposes. Other money income, including nontaxable interest, State unemployment income, payments under the federal Social Security Act, and veterans disability payments, the excluded portions of capital gains, workmen's compensation, the gross adjusted amount of loss of time compensation, railroad retirement and other pensions and annuities. It does not include nonrecurring personal gifts, surplus food or other relief in kind supplied by a government agency.
2. "Household Income" means all income received by the household head and spouse, if present in the calendar year.
3. "Household" means the household head and spouse, if present.
4. "Homestead" means the dwelling, owned or rented, and so much land surrounding it, but not exceeding one acre, as is reasonably necessary for purposes of the dwelling as a home.
5. "Claimant" means a person filing under this act who has owned or rented living quarters in the State during the calendar year for which the claim is filed and who attained the age of 65 during that or prior years.
6. "Property Taxes" means residential property taxes levied on the claimant's homestead for the calendar year in which the claim is filed.
7. "Rent in lieu of property taxes" means 20 percent of gross rent (rent paid solely for the right of occupancy) in any calendar year paid by the claimant. This is the basis of claim for credit.
8. "Credit or Rebate." If there is an income tax liability the credited amount will be used to the extent necessary to satisfy the liability. If the credit is greater than the income tax liability, a refund check will be provided to the claimant.



9. "Eligibility" is restricted to individuals who are household heads or independent individuals who have attained their 65th birthday in that or a prior calendar year for which claim is filed and whose household income in the calendar year was less than provided for in the particular formulas (either \$4,000 or \$5,000).
10. Four alternative formulas are included in this report for computing the amount of individual relief payments.
11. Persons who would otherwise be eligible for credit under this act, but who are receiving other forms of public assistance shall not be eligible under this act.

*Scope of Program:*

1. Cost of the program depends on the alternative (see 10 just above) selected for implementation. It could be anywhere from \$2.9 million to \$4.8 million in the first year of enactment. Average individual payments would range from \$39 to \$65.
2. The number of claimants would also depend on the alternative implemented. It could range from 64,400 to 75,900.

SENIOR CITIZENS PROPERTY TAX RELIEF ACT  
PROPOSED CIRCUIT BREAKER TAX CREDIT  
FOR AGED HOUSEHOLDS

Introduction

Local residential property taxes create disproportionate and vastly regressive claims on family financial resources. The tax crisis is magnified once the family's flow of income is interrupted by retirement. Local governments as a rule can ill afford to deplete their already limited fiscal capacity by granting relief. The State with a broader tax base can do so.

Eleven states have developed residential tax relief programs (commonly referred to as "circuit-breakers")<sup>1</sup> designed to relieve the special hardships frequently experienced by low-income families headed by an aged individual. Household heads, owners or renters (in some states) if their residential property tax burden is excessive in relation to their income they can claim either a direct credit, credit against their State income tax liability, or if the credit exceeds liability, a refund. The exemp-

1. The "circuit-breaker" title takes its name from the electrical switch which trips off when confronted with an overload. The circuit-breaker credit system cuts off the property tax burden (and turns on credit) of the senior citizen when that burden becomes too heavy for his limited income.

For purposes of explanation of the turning off the tax burden and turning on the credits senior citizens can be listed in four categories as follows:

1. Those with low incomes but subject to high residential property tax burdens,
2. Those with high income but subject to low residential property tax burdens,
3. Those with low incomes but subject to low residential property tax burdens, and
4. Those with high incomes, but subject to high residential property tax burdens.

Senior citizens who find themselves in the first category find themselves in a real personal financial crisis when the tax collector delivers his bill. The circuit-breaker should turn on automatically, quickly and generously when the point of overburden is reached. On the other hand, it will lag and possibly never turn on for senior citizens in category 2 because the crisis point will not be reached. Categories 3 and 4 are intermediate points. The circuit-breaker may be triggered, but because the relationship is such as it is (low taxes to be paid out of low income and high taxes to be paid out of high income), the financial crunch is of less magnitude. The circuit-breaker automatically turns on credit when the ratio of residential property taxes to family income reaches the "crisis" stage.

tion privilege is restricted to low-income household heads and the State assumes the cost of the program. The program is efficient in comparison with a broad homestead credit program<sup>2</sup> even when the latter is restricted to aged groups because it limits funds to the family units in need of relief rather than scattering them to all homesteads whether or not there is a tax overburden.

The average payment for a circuit-breaker program for Virginia can be expected to range from \$39 to \$65 per eligible family with from 64,000 to 76,000 families being qualified to participate. Total cost of four alternatives present in this report would range from \$2.9 million to \$4.8 million. Both the cost and the number of recipients will depend on the scope of the program adopted. In any event, the cost of the program is minimal in relation to the advantages generally set out for it. Appendix I lists several accepted advantages and also disadvantages of the program. The cost of the most expensive alternative outlined in this report would be only about 1.7 percent of the individual income tax collections and a considerably lesser percentage of the general property taxes collected in the State.

Basically this type of program recognizes that there is some percentage of family income above which an occupancy tax (residential property tax on homeowners or a tax on the landlord's residential property shifted to the renter) creates an unreasonable burden on senior family finances, and it varies directly with the level of income. For example, it might be stated that any occupancy tax on an elderly family with an income below \$1,000 is overly burdensome. All or some portion of such assessments should be relieved. At progressively higher incomes, a small but growing percentage assessed in occupancy taxes would not be unreasonable, but any tax in excess of the amount (related to the level of income) might warrant some relief. There is no practical way to compute the degree or the progression of credit that is "best" in a given situation. Logic and reasonableness must be the guidelines.

While there are many variations of formulas, two general types can be recommended as having excellent redistributive effects for elderly families. These may be termed the Minnesota Plan and the Wisconsin Plan (see Appendix II for the specific formulas). The Minnesota Plan has the advantage of simplicity while the Wisconsin Plan is more flexible. By using a double-barrelled attack in computing credit, the percentage of relief granted within an income class can be made to vary depending on the amount of tax liability. For example, in the income class \$500 to \$1,000 credit can be made to vary from, say, 75 percent of tax liability for families in modest homes to, say, 60 percent for families living in expensive units. Both types can be plagued with a "notch" problem<sup>1</sup> unless several income classes are described in the statutes.

Because of the flexibility of the Wisconsin Plan, it is adopted with variations in the following analyses of four alternative programs for Virginia (the programs are described further in Appendix III). Complexity of the formula for computing credit is not a problem because it is

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2. Homestead credit is a device used in several states to reduce residential property tax burdens to homeowners. It generally consists of an exemption of the first increment of the assessed value of the homestead from all or part of the residential property tax burden. For example, Florida exempts homesteads up to a value of \$5,000 applicable to all assessments except those for special benefits. No income, age, or other constraints are applied, except that an additional exemption is allowed to senior homeowners.

1. The "notch" problem means that there is an abrupt change in the amount of relief granted in some cases for a small change in income.

anticipated that a table will be prepared from which recipients can read off their credit once their income levels and tax loads are established. Average credit by income class and the total cost and number of claimants for each alternative are also approximated in Appendix III. Estimates are based on the statutes as employed in Minnesota and Wisconsin and as approved by the Advisory Commission on Intergovernmental Relations (the ACIR suggested legislation is attached as Appendix IV). Cost estimates are necessarily rough because data are not available for precise projections.

In Appendix V, ten representative Virginia communities are selected and estimates of credit under each of the four alternatives are computed for two values of homes at 1970-71 tax levels or equivalent amounts of rent in lieu of taxes.

Rent allowed in lieu of taxes is included at 20 percent of annual rent on the assumption that this is reasonable as the amount of the landlord's tax on the unit that he succeeds in shifting to the occupant. States providing rental occupancy tax credit use percentages varying from 20 percent to 30 percent. No "best" percentage is available, but there seems to be some relationship between the level of taxes, the rental cost, and the amount of tax shifted. Thus if the landlord's taxes are high, a larger proportion of the tax may be assumed to be shifted to the renter. In Wisconsin (25 percent of annual rent is assumed to be shifted tax) renters in 1970 received an average of 3.39 percent of their household income in relief payments while owners received 4.68 percent. In Minnesota (where 20 percent is used) the respective percentages were 2.61 and 3.26, much closer together. Taxes were somewhat higher in Wisconsin. On this theory, it was assumed that a maximum of 20 percent would be most appropriate for Virginia under a similar program.

In still another analysis, 20 percent of rent seems reasonable as the amount of shifted tax. In the 1970 Census of Housing for Virginia, the median value of single family houses was \$17,300. At the average effective tax rate of \$1.10 per \$100, the average tax would be \$190.30 (a little higher if 1971 rates were used). Median rent on rented units was listed as \$1,116 annually. One-fifth (20 percent) of this is \$223 that represents shifted taxes. Credit computed on these figures would favor renters. However, it must be remembered that these figures are for all households in Virginia. It seems likely both that the aged have had a chance to accumulate assets in the nature of homes and that many aged families live in low cost rental housing because of low incomes. Average occupancy taxes for the aged would be as high as the median, but median rent lower.

Simply the computation of the credit granted in the four alternatives is computed as follows:

1. On the initial portion of family income all occupancy taxes are considered inordinate. A portion is relieved. For example, say, on the first \$1,000 of income all occupancy taxes are inordinate and 75 percent are to be relieved. If the tax assessment is \$100 then \$75 (75 percent of \$100) is the amount of credit.
2. On the next increment of family income a small tax may be considered justifiable and not necessarily burdensome. However, any excess amount above a stated percentage of this increment of income (say 2 percent) is inordinate and warrants credit. For example, if family income is \$1,500, the first \$1,000 [the initial portion] warrants no constraint, but the additional \$500 might be considered subject to a 2 percent tax maximum, thus any tax in excess of \$10 (2

percent of \$500) on the \$1,500 family income would be burdensome. (This is 00 percent times \$1,000 plus 2 percent times \$500.) To compute relief, \$10 would be subtracted from the tax assessment and a percentage relief would be applied against the remainder. If the tax were \$100, then 60 percent of \$90 (\$100—\$10) or \$54 would be relieved at state expense. The percentage of tax considered reasonable graduates upward by income class as income increases (e.g., zero percent, 2 percent, 4 percent, etc. See alternatives in Appendix III). On the other hand the percentage of the inordinate tax relieved may decrease (75 percent, 60 percent, 50 percent, etc. See alternatives in Appendix III) as income rises.

3. Carrying the example one more step—if income were \$2,000, the first \$1,000 might warrant no tax, the next \$500, a maximum 2 percent tax, and the third and last \$500 a 4 percent tax. Thus the tax would be reduced by \$20 (2 percent  $\times$  \$500 plus 4 percent  $\times$  \$500; this is considered a reasonable tax on each increment of income) before the percentage of relief is applied. If the tax were \$100, relief would be 60 percent of \$70 (\$100—\$30) or \$42.

Three families in similar tax situations but with different incomes pay respectively \$25 (out of \$1,000 income), \$46 (out of \$1,500 income), and \$58 (out of \$2,000 income) after credit. The tax burden is effectively tied to income and the ability-to-pay taxes principle is honored.

The alternatives provide for a maximum tax on the highest increment of income of up to 8, 12, 15, and 17 percent (of the last \$500). This may seem unnecessarily high. However, it should be remembered that this is a marginal rate. The average rate of maximum taxation considered reasonable is less for the same reason that average rates under the typical individual income tax are always less than marginal rates. Average rates of taxation beyond which partial credit is granted is listed for each alternative for four selected income levels in the presentation just following.

Income Level	Alternative A	Alternative B	Alternative C	Alternative D
\$2,000	0.50%	0.50%	1.00%	1.00%
3,000	1.33	2.00	3.50	2.67
4,000	3.25	3.50	6.25**	5.00**
5,000	5.50*	4.00*	—	—

\* The formula is designed to cut off credit at the income level of \$5,000.

\*\* The formula is designed to cut off credit at the income level of \$4,000.

Any tax in excess of these percentages on the level of income in column 1 is assumed in the particular alternatives to be overly burdensome and any excess is deemed to be in need of partial credit (except at the extremes of \$5,000 for alternatives A and B and \$4,000 for alternatives C and D). These percentages represent a weighted averaging of the marginal percentages of income deemed reasonable taxation in the particular alternatives.

## APPENDIX I

### *Introduction*

Attached below is a report by Billy D. Cook outlining the Wisconsin Plan and its effects on the system of property taxes as it applies to aged household heads. Especially important is the statement of arguments for and against the circuit-breaker program (Page A1.10). To this list of arguments, we would add that care should be taken that the tax replacing State funds expended through credit should not actually increase the burden of taxation on the elderly. The source of credit funds, for optimum effect, should be the state individual income tax.

Also significant are pages A1.7 to A1.9 in which states employing circuit-breaker relief are listed and their programs outlined. It is interesting to note that the first state supported program began in 1963 and since then 11 more states have adopted it. Of these, five adoptions were in 1971, indicating the increasing popularity of the programs. Ohio registered the latest adoption. Specific details are not available on its plan and it is not included in Mr. Cook's summary since it was enacted after his paper was prepared.

## APPENDIX II

### *The Minnesota and Wisconsin Formulas for Computing Credit*

Formulas for computing tax credit under the Minnesota Plan and the Wisconsin Plan are listed below. The Minnesota Plan is relatively simple. It merely applies a different percentage rate of credit for each income class without regard to the occupancy tax burden. For example, a family earning less than \$500 gets 75% credit whether they live in a dilapidated unit or a reasonably well-kept one. There is, however, one limit. No more than \$800 (1972 and thereafter) in tax can be claimed in computing credit.

The Wisconsin Plan is two-pronged. In computing credit, there is first a reduction in the tax based on the level of income (by income class) except in the under \$1,000 class where no reduction is employed. This amounts to a flat amount reduction for each income class regardless of the tax burden. The second step (after reducing the tax by the flat amount) is to apply against the remainder a percentage reduction. The result is to give claimants in each particular income class a greater percentage of credit (but not greater dollar amounts of credit) if they live in a modest rather than an expensive home. The Wisconsin Plan, too, has a maximum (\$330) that can be used in computing credit.

#### *The Minnesota Formula*

At Least	<i>Income</i>	But Less Than	<i>Percentage of Tax Relieved</i>
\$ —		\$1,000	88%*
1,000		1,500	80
1,500		2,000	60
2,000		2,500	52
2,500		3,000	44
3,000		3,500	32
3,500		4,000	24
4,000		4,500	16
4,500		5,000	8

\* Percentages are computed from table furnished claimants by Minnesota Department of Revenue which states relief in full dollars rather than as percentages. Percentage series are only approximate and vary between levels of taxation.

#### *The Wisconsin Formula*

<i>Income</i>	<i>Percentage of Income Increment Used to Reduce Tax Before Percentage Computation of Credit</i>	<i>Percentage Credit on Remaining Tax (after column 2 Reduction)</i>
on the first \$1,000	0.0%	75%
on the next \$500	5.0	60
on the next \$500	10.0	60
on the next \$3,000	14.0	60

Both plans are subject to “notch” problems with the percent restricted number of income classes used. For this reason, this report suggests using several classes. Both states employ tables to simplify compliance, and tables become even more necessary as the formula becomes more complex. Formula complexity is no problem to the claimant when tables are used. Copies of tables used by Minnesota and Wisconsin are attached in Appendix VI. Preparation of tables is required by statute.

### APPENDIX III

Four alternative formulas for computing tax credit for aged household heads as presented for consideration in Virginia are outlined below. In addition to outlining the formula, average and total cost estimates are made as are estimates of the number of recipients by income class. In two cases, recipients with incomes above \$4,000 would become ineligible for relief and in two, the cut-off is \$5,000. Maximum amount of tax proposed to be used to compute credit also varies and is listed for each alternative. Estimates are based on the suggested legislation of the ACIR as presented in Appendix IV.

In each of the alternatives the number of renters is expected to number approximately one-fifth as many as homeowners. Renters and homeowners with similar incomes should net approximately equal amounts of credits. Renter credit, on the average, however, may be slightly smaller because renter income averages a little less.

#### Alternative A

##### *The Formula*

on the:	<i>Percentage of Income Increment Used to Reduce Taxes Before Percentage Com- putation of Credit</i>	<i>Percentage Credit Re- maining Tax (after column 2 Reduction)</i>
First \$1,000	0.0%	75%
Second \$1,000	1.0	60
Next \$500	2.0	60
Next \$500	4.0	60
Next \$500	8.0	60
Next \$500	10.0	60
Next \$500	14.0	60
Next \$500	15.0	60

Income Maximum for Relief; \$5,000.

Tax Maximum Allowed for Computing Relief; \$275.



Alternative A  
Statistical Analysis (Estimates)

Household Income	Recipients	Average	Relief Total	Average Percent- age of Income Received in Credit *
\$ 0—\$ 499	1,184	\$81.69	\$ 96,721	27.23 %
500— 999	4,018	81.69	328,230	10.89
1,000— 1,499	11,374	68.17	775,365	5.45
1,500— 1,999	16,241	70.49	1,144,828	4.03
2,000— 2,499	14,353	68.19	978,731	3.03
2,500— 2,999	11,723	63.21	741,011	2.30
3,000— 3,499	8,946	50.44	451,236	1.55
3,500— 3,999	5,177	42.49	219,971	1.15
4,000— 4,499	2,178	32.28	70,306	0.76
4,500— 5,000	735	14.27	10,488	0.30
Total	75,929	63.44	4,816,887	—

\* Computed at \$300 level for \$0—\$499 class and at middle of class for others. This is done for all four alternatives.

Alternative B  
The Formula

on the:	Percentage of Income Increment Used to Reduce Taxes Before Percentage Com- putation of Credit	Percentage Credit on Remaining Tax (after column 2 Reduction)
First \$500	0.0%	60%
Next 500	0.0	50
Next 500	0.0	40
Next 500	2.0	40
Next 500	4.0	40
Next 500	6.0	40
Next 500	8.0	40
Next 500	8.0	40
Next 500	8.0	40
Next 500	8.0	40

Income Maximum for Credit; \$5,000.

Tax Maximum Allowed for Computing Credit; \$220.

Alternative B  
*Statistical Analysis (Estimates)*

<i>Household Income</i>	<i>Recipients</i>	<i>Average</i>	<i>Credit Total</i>	<i>Average Percent- age of Income Received in Credit</i>
\$ 0—\$ 499	1,184	\$64.01	\$ 75,788	21.34%
500— 999	4,018	53.01	212,994	7.07
1,000— 1,499	11,374	45.11	513,081	3.61
1,500— 1,999	16,241	46.54	755,856	2.66
2,000— 2,499	14,353	41.50	595,650	1.84
2,500— 2,999	10,664	38.08	406,085	1.38
3,000— 3,499	8,835	24.28	214,514	0.75
3,500— 3,999	5,177	20.25	104,834	0.54
4,000— 4,499	2,178	17.22	37,505	0.41
4,500— 5,000	831	8.00	6,648	0.17
Total	74,855	39.05	2,922,955	—

Alternative C  
*The Formula*

<i>on the:</i>	<i>Percentage of Income Increment Used to Reduce Taxes Before Percentage Com- putation of Credit</i>	<i>Percentage Credit on Remaining Tax (after column 2 Reduction)</i>
First \$500	0.0%	80%
Next 500	0.0	75
Next 500	1.0	70
Next 500	3.0	70
Next 500	5.0	65
Next 500	8.0	60
Next 500	16.0	60
Next 500	17.0	60

Income Maximum for Credit; \$4,000.

Tax Maximum Allowed for Computing Credit; \$250.

Alternative C  
Statistical Analysis (Estimates)

Household Income	Recipients	Average	Credit Total	Average Percent- age of Income Received in Credit
\$ 0—\$ 499	1,184	\$86.93	\$ 102,925	28.98%
500— 999	4,018	80.94	325,217	10.79
1,000— 1,499	11,374	78.61	894,110	6.29
1,500— 1,999	16,241	77.92	1,265,499	4.45
2,000— 2,499	14,095	62.58	882,065	2.78
2,500— 2,999	10,664	46.91	500,248	1.71
3,000— 3,499	5,835	29.03	169,390	0.89
3,500— 4,000	976	22.83	22,282	0.61
Total	64,387	64.64	4,161,736	—

Alternative D  
The Formula

on the:	Percentage of Income Increment Used to Reduce Taxes Before Percentage Com- putation of Credit	Percentage Credit on Remaining Tax (after column 2 Reduction)
First \$500	0.0%	80%
Next 500	0.0	70
Next 500	2.0	60
Next 500	2.0	50
Next 500	4.0	50
Next 500	8.0	50
Next 500	12.0	50
Next 500	12.0	50

Income Maximum for Credit; \$4,000.

Tax Maximum Allowed for Computing Credit; \$200.

Alternative D  
Statistical Analysis (Estimates)

Household Income	Recipients	Average	Credit Total	Average Percent- age of Income Received in Credit
\$ 0—\$ 499	1,184	\$89.62	\$ 106,110	29.87%
500— 999	4,018	73.24	294,278	9.77
1,000— 1,499	11,374	63.62	723,614	5.09
1,500— 1,999	16,241	52.04	845,182	2.97
2,000— 2,499	14,095	44.31	624,549	1.97
2,500— 2,999	10,664	38.73	413,017	1.41
3,000— 3,499	5,835	27.26	159,062	0.84
3,500— 4,000	2,408	12.51	30,124	0.30
Total	65,819	48.56	3,195,936	—

*Summary of Alternatives*

<i>Alternative</i>	<i>Income Limit for Credit</i>	<i>Limit of Tax for Computing Credit</i>	<i>Estimated Cost of Program</i>		<i>Estimated Number of Recipients</i>
			<i>Average</i>	<i>Total (\$1,000)</i>	
A	\$5,000	\$275	\$63.44	\$4,817	79,929
B	5,000	220	39.05	2,922	74,855
C	4,000	250	64.64	4,162	64,387
D	4,000	200	48.56	3,196	65,819

It is estimated that there were in 1970, approximately 214,000 separate families or individuals headed by a person over 65 years of age. Of this total, 90,000, or about 42 percent, with incomes of less than \$5,000 (Alternatives A and B), and about 77,000 or 36 percent with less than \$4,000 (Alternatives C and D) are estimated to qualify as regarding income for the suggested programs. Some units would not be eligible for credit under the alternatives offered above because their income is too high (usually some with incomes over \$3,000) in relation to property tax liabilities or rent paid. For example, a family with \$4,500 income living in a modest home (say, in which \$30 per month in rent is paid or a tax of \$75 per year is paid) would not receive any credit. Since the tax is less than 2 percent of income, the tax would not be considered as overly burdensome.

Out of the 90,000 units with average incomes over \$5,000, some 10,000 to 15,000 would be ineligible for credit because their occupancy tax burdens were relatively light in relation to family income. Out of the 77,000 with incomes averaging less than \$4,000, about 12,000 would be ineligible. However, the bulk of the low-income aged family units are in need of tax credit because their tax burden ranges downward from in excess of 50 percent of income at low income levels (below \$500) to an average of about 8 percent for the group.

## APPENDIX V

In this section a representative sample of ten Virginia communities was selected for comparison. Three income levels were chosen, and credit at two levels of taxation (or rent in lieu of taxation) was compared. Differences in credits are caused by the difference in tax rates. Families in communities with higher tax rates receive larger amounts of credit. This demonstrates the ability of the program to redistribute tax burdens in favor of communities with high public service demands.

While only a limited number of communities is compared, it is not difficult to compute similar statistics for other communities.

- (1) Multiply the effective tax rate (from Table 5.2) by \$7,500 and \$17,500 (house values) to compute property taxes. This amount is also an assumed rent in lieu of taxes representing 20 percent of annual rental. For example, the effective property tax rate in Alexandria City is \$1.75 per \$100 of value. \$7,500 times \$1.75 per \$100 is \$131.25 and \$17,500 times \$1.75 per \$100 is \$306.25.
- (2) Compute the credit for each alternative as outlined on pages 5 and 6 and in Appendix III. For example, with an income of \$1,499 under Alternative A, the first \$1,000 of income does not operate to reduce the credit ( $.00 \times \$1,000$ ). The next \$500 has a maximum tax of one percent or \$5 applied against it. ( $.01 \times \$500$ ). The tax (\$131.25 or \$306.25) is reduced by \$5 before the percentage credit of 60 percent is applied (i.e.,  $\$131.25 - \$5 = \$126.25 \times .60 = \$73.75$ , credit).

In some cases district or borough levies are in addition to the rate quoted in Table 5.2 and should be added to the effective rate before computing credit amounts.

TABLE 5.1  
TAX RELIEF FOR HYPOTHETICAL AGED HOUSEHOLDS UNDER  
FOUR ALTERNATIVES, FOR SELECTED VIRGINIA  
COMMUNITIES

*Alexandria City*

<i>Household Income</i>	<i>Property Tax Paid</i> <sup>1</sup>		<i>Property Tax as Percent of Household Income</i>			
	<i>\$131.25</i> <sup>a</sup>	<i>306.25</i> <sup>b2</sup>	<i>Before Credit</i> <sup>a</sup>	<i>After Credit</i> <sup>a</sup>	<i>Before Credit</i> <sup>b</sup>	<i>After Credit</i> <sup>b</sup>
<i>Alternative A</i>						
\$ 499	\$ 98.63	\$206.25	26.25%	6.52%	61.25%	20.00%
2,499	66.75	153.00	5.25	2.58	12.25	6.13
4,499	—	45.00	2.92	2.92	6.81	5.81
<i>Alternative B</i>						
\$ 499	78.75	132.00	26.25	10.50	61.25	34.85
2,499	40.50	76.00	5.25	3.63	12.25	9.21
4,499	—	16.00	2.92	2.92	6.81	6.45
<i>Alternative C</i>						
\$ 499	105.00	200.00	26.25	5.25	61.25	21.25
1,999	77.88	161.00	6.56	2.67	15.31	7.06
3,499	—	51.00	3.75	3.75	8.75	7.29
<i>Alternative D</i>						
\$ 499	105.00	160.00	26.25	5.25	61.25	29.25
1,999	55.63	90.00	6.56	3.78	15.31	10.81
3,499	—	30.00	3.75	3.75	8.75	7.89

a. House value, \$7,500; effective tax rate, \$1.75; or rent of \$656.25.

b. House value, \$17,500; effective tax rate, \$1.75; or rent of \$1,531.25.

1. "Property Tax Paid" is property tax or rent allowed in lieu of property tax.

2. Maximum permitted for relief computation is: Alternative A, \$275; Alternative B, \$220; Alternative C, \$250; and Alternative D, \$200.

*Augusta County*

<i>Household Income</i>	<i>Property Tax Paid</i>		<i>Property Tax as Percent of Household Income</i>			
	<i>\$ 65.25<sup>a</sup></i>	<i>\$152.25<sup>b</sup></i>	<i>Before Credit<sup>a</sup></i>	<i>After Credit<sup>a</sup></i>	<i>Before Credit<sup>b</sup></i>	<i>After Credit<sup>b</sup></i>
<i>Alternative A</i>						
\$ 499	\$ 48.94	\$114.19	13.05%	3.26%	30.45%	7.61%
2,499	27.15	79.35	2.61	1.40	6.09	2.92
4,499	—	—	1.45	1.45	3.38	3.38
<i>Alternative B</i>						
\$ 499	39.15	91.35	13.05	5.22	30.45	12.18
2,499	14.10	48.90	2.61	2.05	6.09	4.13
4,499	—	—	1.45	1.45	3.38	3.38
<i>Alternative C</i>						
\$ 499	52.20	121.80	13.05	2.61	30.45	6.09
1,999	31.68	92.58	3.26	1.68	7.61	2.98
3,499	—	—	1.86	1.86	4.35	4.35
<i>Alternative D</i>						
\$ 499	52.20	121.80	13.05	2.61	30.45	6.09
1,999	22.63	66.13	3.26	2.13	7.61	4.31
3,499	—	6.13	1.86	1.86	4.35	4.17

a. House value, \$7,500; effective tax rate, \$0.87; or rent of \$326.25.

b. House value, \$17,500; effective tax rate, \$0.87; or rent of \$761.25.

*Buckingham County*

<i>Household Income</i>	<i>Property Tax Paid</i>		<i>Property Tax as Percent of Household Income</i>			
	<i>\$ 24.00<sup>a</sup></i>	<i>\$ 56.00<sup>b</sup></i>	<i>Before Credit<sup>a</sup></i>	<i>After Credit<sup>a</sup></i>	<i>Before Credit<sup>a</sup></i>	<i>After Credit<sup>b</sup></i>
<i>Alternative A</i>						
\$ 499	\$ 18.00	\$ 42.00	4.80%	1.20%	11.20%	2.80%
2,499	2.40	21.60	0.96	0.86	2.24	1.38
4,499	—	—	0.53	0.53	1.24	1.24
<i>Alternative B</i>						
\$ 499	14.40	33.60	4.80	1.92	11.20	4.48
2,499	—	10.40	0.90	0.90	2.24	1.82
4,499	—	—	0.53	0.53	1.24	1.24
<i>Alternative C</i>						
\$ 499	19.20	44.80	4.80	1.36	11.20	2.24
1,999	2.80	25.20	1.20	1.06	2.80	1.54
3,499	—	—	0.69	0.69	1.60	1.60
<i>Alternative D</i>						
\$ 499	19.20	44.80	4.80	1.36	11.20	2.24
1,999	2.00	18.00	1.20	1.10	2.80	1.90
3,499	—	—	0.69	0.69	1.60	1.60

a. House value, \$7,500; effective tax rate, \$0.32; or rent of \$120.

b. House value, \$17,500; effective tax rate, \$0.32; or rent of \$280.

*Chesapeake City \**

<i>Household Income</i>	<i>Property Tax Paid</i>		<i>Property Tax as Percent of Household Income</i>			
	<i>\$ 96.75<sup>a</sup></i>	<i>\$225.75<sup>b</sup></i>	<i>Before Credit<sup>a</sup></i>	<i>After Credit<sup>a</sup></i>	<i>Before Credit<sup>b</sup></i>	<i>After Credit<sup>b</sup></i>
<i>Alternative A</i>						
\$ 499	\$ 72.56	\$169.31	19.35%	4.84%	45.15%	11.29%
2,499	46.05	123.45	3.87	2.03	9.03	4.09
4,499	—	15.45	2.15	2.15	5.02	4.67
<i>Alternative B</i>						
\$ 499	58.05	132.00	19.35	7.74	45.15	18.75
2,499	26.70	76.00	3.87	2.80	9.03	5.99
4,499	—	16.00	2.15	2.15	5.02	4.66
<i>Alternative C</i>						
\$ 499	77.40	180.60	19.35	3.87	45.15	9.03
1,999	53.73	144.03	4.84	2.15	11.29	4.09
3,499	—	36.45	2.76	2.76	6.45	5.41
<i>Alternative D</i>						
\$ 499	77.40	160.00	19.35	3.87	45.15	13.15
1,999	38.38	90.00	4.84	2.92	11.29	6.79
3,499	—	30.00	2.76	2.76	6.45	5.59

a. House value, \$7,500; effective tax rate, \$1.29; or rent of \$483.75.

b. House value, \$17,500; effective tax rate, \$1.29; or rent of \$1,128.75.

\* Borough levy is additional.

*Chesterfield County*

<i>Household Income</i>	<i>Property Tax Paid</i>		<i>Property Tax as Percent of Household Income</i>			
	<i>\$ 68.25<sup>a</sup></i>	<i>\$159.25<sup>b</sup></i>	<i>Before Credit<sup>a</sup></i>	<i>After Credit<sup>a</sup></i>	<i>Before Credit<sup>b</sup></i>	<i>After Credit<sup>b</sup></i>
<i>Alternative A</i>						
\$ 499	\$ 51.19	\$119.44	13.65%	3.41%	31.85%	7.96%
2,499	28.95	83.55	2.73	1.57	6.37	3.03
4,499	—	—	1.52	1.52	3.54	3.54
<i>Alternative B</i>						
\$ 499	40.95	95.55	13.65	5.46	31.85	12.74
2,499	15.30	51.70	2.73	2.12	6.37	4.30
4,499	—	—	1.52	1.52	3.54	3.54
<i>Alternative C</i>						
\$ 499	54.60	127.40	13.65	2.73	31.85	6.33
1,999	33.78	97.48	3.41	1.72	7.96	3.09
3,499	—	—	1.95	1.95	4.55	4.55
<i>Alternative D</i>						
\$ 499	54.60	127.40	13.65	2.73	31.85	6.33
1,999	24.13	69.63	3.41	2.21	7.96	4.48
3,488	—	9.63	1.95	1.95	4.55	4.27

a. House value, \$7,500; effective tax rate \$0.91; or rent of \$341.25.

b. House value, \$17,500; effective tax rate \$0.91; or rent of \$796.25.



*Fairfax County \**

<i>Household Income</i>	<i>Property Tax Paid</i>		<i>Property Tax as Percent of Household Income</i>			
	<i>\$114.75<sup>a</sup></i>	<i>\$267.75<sup>b</sup></i>	<i>Before Credit<sup>a</sup></i>	<i>After Credit<sup>a</sup></i>	<i>Before Credit<sup>b</sup></i>	<i>After Credit<sup>b</sup></i>
<i>Alternative A</i>						
\$ 499	\$ 86.06	\$200.81	22.95%	5.74%	53.55%	13.39%
2,499	56.85	148.65	4.59	2.32	10.71	4.76
4,499	—	40.65	2.55	2.55	5.95	5.05
<i>Alternative B</i>						
\$ 499	68.85	132.00	22.95	9.18	53.55	27.15
2,499	33.90	76.00	4.59	3.23	10.71	7.67
4,499	—	16.00	2.55	2.55	5.95	5.59
<i>Alternative C</i>						
\$ 499	91.80	200.00	22.95	4.59	53.55	13.55
1,999	66.33	161.00	5.74	2.42	13.39	5.34
3,499	—	51.00	3.28	3.28	7.65	6.19
<i>Alternative D</i>						
\$ 499	91.80	160.00	22.95	4.59	53.55	13.55
1,999	47.38	90.00	5.74	3.37	13.39	8.89
3,499	—	30.00	3.28	3.28	7.65	6.79

a. House value, \$7,500; effective tax rate, \$1.53; or rent of \$573.75.

b. House value, \$17,500; effective tax rate \$1.53; or rent of \$1,338.75.

\* District levy is additional.

*Lunenburg County*

<i>Household Income</i>	<i>Property Tax Paid</i>		<i>Property Tax as Percent of Household Income</i>			
	<i>\$ 48.00<sup>a</sup></i>	<i>\$112.00<sup>b</sup></i>	<i>Before Credit<sup>a</sup></i>	<i>After Credit<sup>a</sup></i>	<i>Before Credit<sup>b</sup></i>	<i>After Credit<sup>b</sup></i>
<i>Alternative A</i>						
\$ 499	\$ 36.00	\$ 84.00	9.60%	2.40%	22.40%	5.60%
2,499	16.80	55.20	1.92	1.25	4.48	2.27
4,499	—	—	1.07	1.07	2.49	2.49
<i>Alternative B</i>						
\$ 499	28.80	67.20	9.60	3.84	22.40	8.96
2,499	7.20	32.80	1.92	1.63	4.48	3.17
4,499	—	—	1.07	1.07	2.49	2.49
<i>Alternative C</i>						
\$ 499	38.40	89.60	9.60	1.92	22.40	4.48
1,999	19.60	64.40	2.40	1.42	5.60	2.39
3,499	—	—	1.37	1.37	3.20	3.20
<i>Alternative D</i>						
\$ 499	38.40	89.60	9.60	1.92	22.40	4.48
1,999	14.00	46.00	2.40	1.70	5.60	3.30
3,499	—	—	1.37	1.37	3.20	3.20

a. House value, \$7,500; effective tax rate, \$0.64; or rent of \$240.

b. House value, \$17,500; effective tax rate, \$0.64; or rent of \$560.

*Northumberland County*

<i>Household Income</i>	<i>Property Tax Paid</i>		<i>Property Tax as Percent of Household Income</i>			
	<i>\$ 46.50<sup>a</sup></i>	<i>\$108.50<sup>b</sup></i>	<i>Before Credit<sup>a</sup></i>	<i>After Credit<sup>a</sup></i>	<i>Before Credit<sup>b</sup></i>	<i>After Credit<sup>b</sup></i>
<i>Alternative A</i>						
<i>\$ 499</i>	<i>\$ 34.88</i>	<i>\$ 81.38</i>	<i>9.30%</i>	<i>2.32%</i>	<i>21.70%</i>	<i>5.42%</i>
<i>2,499</i>	<i>15.90</i>	<i>53.10</i>	<i>1.86</i>	<i>1.22</i>	<i>4.34</i>	<i>2.22</i>
<i>4,499</i>	<i>—</i>	<i>—</i>	<i>1.03</i>	<i>1.03</i>	<i>2.41</i>	<i>2.41</i>
<i>Alternative B</i>						
<i>\$ 499</i>	<i>27.90</i>	<i>65.10</i>	<i>9.30</i>	<i>3.72</i>	<i>21.70</i>	<i>8.68</i>
<i>2,499</i>	<i>6.60</i>	<i>31.40</i>	<i>1.86</i>	<i>1.60</i>	<i>4.34</i>	<i>3.08</i>
<i>4,499</i>	<i>—</i>	<i>—</i>	<i>1.03</i>	<i>1.03</i>	<i>2.41</i>	<i>2.41</i>
<i>Alternative C</i>						
<i>\$ 499</i>	<i>37.20</i>	<i>86.80</i>	<i>9.30</i>	<i>1.86</i>	<i>21.70</i>	<i>4.34</i>
<i>1,999</i>	<i>18.55</i>	<i>61.95</i>	<i>2.33</i>	<i>1.40</i>	<i>5.43</i>	<i>2.33</i>
<i>3,499</i>	<i>—</i>	<i>—</i>	<i>1.33</i>	<i>1.33</i>	<i>3.10</i>	<i>3.10</i>
<i>Alternative D</i>						
<i>\$ 499</i>	<i>37.20</i>	<i>86.80</i>	<i>9.30</i>	<i>1.86</i>	<i>21.70</i>	<i>4.34</i>
<i>1,999</i>	<i>13.25</i>	<i>44.25</i>	<i>2.33</i>	<i>1.66</i>	<i>5.43</i>	<i>3.21</i>
<i>3,499</i>	<i>—</i>	<i>—</i>	<i>1.33</i>	<i>1.33</i>	<i>3.10</i>	<i>3.10</i>

a. House value, \$7,500; effective tax rate, \$0.62; or rent of \$232.50.  
b. House value, \$17,500; effective tax rate, \$0.62; or rent of \$542.50.

*Rappahannock County*

<i>Household Income</i>	<i>Property Tax Paid</i>		<i>Property Tax as Percent of Household Income</i>			
	<i>\$ 32.25<sup>a</sup></i>	<i>\$ 75.25<sup>b</sup></i>	<i>Before Credit<sup>a</sup></i>	<i>After Credit<sup>a</sup></i>	<i>Before Credit<sup>b</sup></i>	<i>After Credit<sup>b</sup></i>
<i>Alternative A</i>						
<i>\$ 499</i>	<i>\$ 24.19</i>	<i>\$ 56.44</i>	<i>6.45%</i>	<i>1.61%</i>	<i>15.05%</i>	<i>3.76%</i>
<i>2,499</i>	<i>7.35</i>	<i>33.15</i>	<i>1.29</i>	<i>1.00</i>	<i>3.01</i>	<i>1.68</i>
<i>4,499</i>	<i>—</i>	<i>—</i>	<i>0.72</i>	<i>0.72</i>	<i>1.67</i>	<i>0.72</i>
<i>Alternative B</i>						
<i>\$ 499</i>	<i>19.35</i>	<i>45.15</i>	<i>6.45</i>	<i>2.58</i>	<i>15.05</i>	<i>6.02</i>
<i>2,499</i>	<i>0.90</i>	<i>18.10</i>	<i>1.29</i>	<i>1.25</i>	<i>3.01</i>	<i>2.29</i>
<i>4,499</i>	<i>—</i>	<i>—</i>	<i>0.72</i>	<i>0.72</i>	<i>1.67</i>	<i>1.67</i>
<i>Alternative C</i>						
<i>\$ 499</i>	<i>25.80</i>	<i>60.20</i>	<i>6.45</i>	<i>1.29</i>	<i>15.05</i>	<i>3.01</i>
<i>1,999</i>	<i>8.58</i>	<i>38.68</i>	<i>1.61</i>	<i>1.18</i>	<i>3.76</i>	<i>1.83</i>
<i>3,499</i>	<i>—</i>	<i>—</i>	<i>0.92</i>	<i>0.92</i>	<i>2.15</i>	<i>2.15</i>
<i>Alternative D</i>						
<i>\$ 499</i>	<i>25.80</i>	<i>60.20</i>	<i>6.45</i>	<i>1.29</i>	<i>15.05</i>	<i>3.01</i>
<i>1,999</i>	<i>6.13</i>	<i>27.63</i>	<i>1.61</i>	<i>1.31</i>	<i>3.76</i>	<i>2.38</i>
<i>3,499</i>	<i>—</i>	<i>—</i>	<i>0.92</i>	<i>0.92</i>	<i>2.15</i>	<i>2.15</i>

a. House value, \$7,500; effective tax rate, \$0.43; or rent of \$161.25.  
b. House value, \$17,500; effective tax rate, \$0.43; or rent of \$376.25.

*Wise County*

<i>Household Income</i>	<i>Property Tax Paid</i>		<i>Property Tax as Percent of Household Income</i>			
	<i>\$ 57.75<sup>a</sup></i>	<i>\$134.75<sup>b</sup></i>	<i>Before Credit<sup>a</sup></i>	<i>After Credit<sup>a</sup></i>	<i>Before Credit<sup>b</sup></i>	<i>After Credit<sup>b</sup></i>
<i>Alternative A</i>						
\$ 499	\$ 43.31	\$101.06	11.55%	2.89%	26.95%	6.74%
2,499	22.65	68.85	2.31	1.40	5.39	2.64
4,499	—	—	1.28	1.28	2.99	2.99
<i>Alternative B</i>						
\$ 499	34.65	80.85	11.55	4.62	26.95	10.78
2,499	11.10	41.90	2.31	1.87	5.39	3.71
4,499	—	—	1.28	1.28	2.99	2.99
<i>Alternative C</i>						
\$ 499	46.20	107.80	11.55	2.31	26.95	5.39
1,999	26.43	80.33	2.89	1.25	6.74	2.18
3,499	—	—	1.65	1.65	3.85	3.85
<i>Alternative D</i>						
\$ 499	46.20	107.80	11.55	2.31	26.95	5.39
1,999	18.88	57.38	2.89	1.55	6.74	2.29
3,499	—	—	1.65	1.65	3.85	3.85

a. House value, \$7,500; effective tax rate, \$0.77; or rent of \$288.75.  
b. House value, \$17,500; effective tax rate, \$0.77; or rent of \$673.75.

Respectfully submitted,  
WILLIAM F. PARKERSON, JR., *Chairman*  
LUCAS D. PHILLIPS, *Vice-Chairman*  
\* CLAUDE W. ANDERSON  
\* L. RAY ASHWORTH  
WARREN E. BARRY  
LEROY S. BENDHEIM  
\* ARCHIE A. CAMPBELL  
\* CALVIN W. FOWLER  
WILLARD J. MOODY  
\* LACEY E. PUTNEY  
JAMES C. TURK

\* Dissenting statement attached.

### *Minority Report*

1. The undersigned concur basically with the report adopted by the majority of the Commission with reference to the subject dealing with service charges, but reserve the right, however, to amend the proposed legislation in such a manner as to protect church-owned property.

2. The undersigned recognize the need for real property tax relief for our elderly citizens. In fact, legislation for such relief has already become law. However, we do not believe that the approach taken by the majority of this Commission is properly within the scope of this Commission, nor are we persuaded that it is the most equitable method of affording the relief needed.

It is the feeling of the undersigned that the Commission strayed from the constitutional provisions and from the mandate and directives of Senate Joint Resolution No. 5. The Commission has adopted a totally different concept than that envisioned by the Constitution and instead of granting local option to the localities to implement this plan, has adopted a program at the State level which conservatively estimated will cost the Commonwealth of Virginia ten million dollars in the first biennium with the outlook being toward expansion of the same in subsequent years at a greater cost.

Section 6 of Article X of the Constitution of Virginia provides that the General Assembly may by general law authorize local governing bodies to grant real property relief to persons over sixty-five deemed to be bearing an extraordinary real tax burden in relation to their income and financial worth. It was this constitutional provision which constituted the basis for the introduction of the resolution and the creation of this Commission.

The plan being proposed by the majority of this Commission is based on credits against State income taxation and direct grants to citizens who have no income tax liability to the Commonwealth of Virginia.

The specific matter being studied relates to exemption from local real estate taxation which the General Assembly has no power to levy and has no power to exempt.

The majority of the Commission has totally ignored the local option concept. Under existing legislation enacted at the 1971 Special Session, localities are now empowered to provide for relief from real estate taxation for those persons sixty-five years of age or over and therefore no additional legislation is necessary at this point. Certain high-tax localities have already adopted local ordinances providing for this tax relief and the proposed plan adopted by the majority of this Commission would cause the recipients under those plans to have the amount of relief received at the present time reduced substantially.

We think the 1971 legislation should be given time to prove its effectiveness rather than to repeal it and take the control away from local government.

CLAUDE W. ANDERSON

L. RAY ASHWORTH

ARCHIE A. CAMPBELL

CALVIN W. FOWLER

LACEY E. PUTNEY

Report  
Equity and Real Estate

1/30/72 ea

# Commonwealth of Virginia



ANDREW P. MILLER  
ATTORNEY GENERAL  
M. HARRIS PARKER  
CHIEF DEPUTY ATTORNEY GENERAL  
RENO S. HARP, III  
DEPUTY ATTORNEY GENERAL

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January 25, 1972

WILLIAM F. BAGWELL, JR.  
A. R. WOODROOF  
OVERTON P. POLLARD  
LEE F. DAVIS, JR.  
WILLIAM M. PHILLIPS  
TROY G. ARNOLD, JR.  
ANTHONY F. TROY  
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JAMES E. KULP  
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ROBERT L. SIMPSON, JR.  
WILLIAM G. BROADDUS  
DANIEL E. ROGERS, II  
JOHN W. GREWS  
D. PATRICK LACY, JR.  
THOMAS W. BLUE  
ASSISTANT ATTORNEYS GENERAL

The Honorable William F. Parkerson, Jr.  
Member, Senate of Virginia  
The Capitol  
Richmond, Virginia 23219

My dear Senator Parkerson:

I have received your letter of January 19, in which you enclose a draft of a bill to provide an income tax credit for real estate taxes paid by low income homeowners and renters. You ask whether such legislation is constitutional.

Article X, Section 6(b), of the revised Virginia Constitution permits the General Assembly to authorize localities to exempt from taxation real estate owned by the elderly. This specific grant of authority does not, however, "work a restriction of [the General Assembly's] authority upon the same or any other subject." Constitution of Virginia, Article IV, Section 14. Since 1928, Virginia has used credits against the income tax to achieve equity in her treatment of persons liable for taxes in two or more states. See Va. Code § 58-151.015.

In my opinion, the legislation submitted by you is constitutional.

With kindest regards, I am

Sincerely yours,

Andrew P. Miller  
Attorney General

10:40

## A BILL

To amend and reenact § 58-16.2 of the Code of Virginia which authorizes the governing bodies of counties, cities and towns to impose a service charge in lieu of taxes upon certain tax exempt real estate to provide that the service charge shall be based upon the assessed fair market value of the real estate and the counties', cities' or towns' budgeted expenditures for certain services; and to authorize the governing bodies to exempt certain classes of organizations.

Be it enacted by the General Assembly of Virginia :

1. That § 58-16.2 of the Code of Virginia be amended and reenacted as follows:

§ 58-16.2. Service charge on certain dwellings.—Notwithstanding the provisions of § 58-12 of the Code of Virginia, the governing body of any county, town or city is authorized to impose and collect a service charge upon the owners of all ~~single and multi family dwellings real estate which are exempted under § 58-12 of the Code of Virginia, except those owned by church or religious organizations,~~ *buildings with land they actually occupy and lawfully owned and held by churches or religious bodies and wholly and exclusively used for religious worship or for the residence of the minister of any church or religious body, together with the additional adjacent land reasonably necessary for the convenient use of any such building,* located within such county, town or city. Such service charge shall be based on the assessed value of the real estate and the amount which the county, city or town shall have budgeted in the year such charge is assessed for the purpose of furnishing police and fire protection and for the collection and disposal of refuse. The budgeted expenditures for services not provided for certain real estate shall not be applicable to the calculations of the service charge for such real estate, nor shall such expenditures be applicable when a service is currently funded by another service charge. The service charge, which shall not exceed forty per centum of the real estate tax rate, shall be fixed by dividing the said budgeted expenditures by the assessed fair market value of all of the real estate within the county, city or town expressed in hundred dollars, including nontaxable property, provided there first be listed and published in the land books of such county, city or town, in the same manner as taxable real estate, all the exempt real estate. ~~fixed in an amount to be determined by applying the ratio that the assessed fair market value of the exempt real estate bears to the total assessed fair market value of all real estate in such county, town or city to the amount which such county, town or city shall have budgeted in the year such charge is assessed for the purpose of furnishing services for the benefit of the citizens in such county, town or city, provided that such charge shall not exceed the amount derived by applying fifty per centum of the true tax rate as determined by the State Department of Taxation to the fair market value of such single and multi family dwellings.~~

*Such governing body may additionally exempt any class of organization set out in subsections (1) through (17) of § 58-12.*

## A BILL

To amend the Code of Virginia by adding in Title 58 a chapter numbered 4.1, containing sections 58-151.42 through 58-151.60, so as to provide the Senior Citizens Property Tax Credit Act, so as to provide a credit or refund for certain persons carrying extraordinary real estate property tax burdens, to provide definitions; claim to be an income tax credit or rebate; limits of amounts of claim; how amounts of claim determined; administration; duties of State Tax Commissioner in respect thereto; proofs of claim; audits; denial of claim; appeals; persons excluded; disallowance of claims; penalties for violations; and to repeal § 58-760.1 of the Code of Virginia, relating to exemption or deferral of taxes on property of certain persons.

Be it enacted by the General Assembly of Virginia :

1. That the Code of Virginia be amended by adding in Title 58 a chapter numbered 4.1, containing sections numbered 58-151.42 through 58-151.60 as follows :

### Chapter 4.1

#### Senior Citizens Property Tax Credit Act

§ 58-151.42. This chapter may be cited as the "Senior Citizens Property Tax Credit Act."

§ 58-151.43. The purpose of this chapter is to provide relief, through a system of income tax credits and refunds and appropriations from the general fund of the State treasury, to certain persons who own or rent their homestead.

§ 58-151.44. As used in this chapter :

(1) "Income" means the sum of federal adjusted gross income as defined in the Internal Revenue Code of the United States, the amount of capital gains excluded from adjusted gross income, alimony, support money, nontaxable strike benefits, cash public assistance and relief (not including relief or credit granted under this chapter), the gross amount of any pension or annuity, including railroad retirement benefits, all payments received under the federal social security act, State unemployment insurance laws, veterans disability pensions, nontaxable interest received from the federal government or any of its instrumentalities, workmen's compensation, and the gross amount of "loss of time" insurance. It does not include gifts from nongovernmental sources, or surplus foods or other relief in kind supplied by a governmental agency.

(2) "Household" means a claimant and spouse.

(3) "Household income" means all income received by all persons of a household in a calendar year while members of the household.

(4) "Homestead" means the dwelling, whether owned or rented, and so much of the land surrounding it, not exceeding one acre, as is reasonably necessary for use of the dwelling as a home, and may consist of a part of a multi-dwelling or multi-purpose building and a part of the land upon which it is built. "Owned" includes a vendee in possession under a land contract and includes one or more joint tenants or tenants in common or tenants by the entirety. It does not include personal property such as furniture, furnishings or appliances.

(5) "Claimant" means a person who has filed a claim under this chapter and was domiciled in this State during the calendar year preceding the year in which he files claim for relief under this chapter. In the case of claim for rent constituting property taxes accrued, the claimant shall have rented property during the preceding calendar year in which he files for relief under this chapter. When two individuals of a household are able to meet the qualifications for a claimant, they may determine between them as to who the claimant shall be. If they are unable to agree, the matter shall be referred to the State Tax Commissioner and his decision shall be final. If a homestead is occupied by two or more individuals, and more than one individual is able to qualify as a claimant, and some or all the qualified individuals are not related, the individuals may determine among them as to who the claimant shall be. If they are unable to agree, the matter shall be referred to the State Tax Commissioner, and his decision shall be final.

(6) "Rent constituting property taxes accrued" means twenty per centum of the gross rent actually paid in cash or its equivalent in any calendar year by a claimant and his household solely for the right of occupancy of their homestead in the calendar year, and which rent constitutes the basis, in the succeeding calendar year, of a claim for relief under this chapter by the claimant.

(7) "Gross rent" means rental paid solely for the right of occupancy, at arms-length, of a homestead, exclusive of charges for any utilities, services, furniture, furnishings or personal property appliances furnished by the landlord as a part of the rental agreement, whether or not expressly set out in the rental agreement. If the landlord and tenant have not dealt with each other at arms-length, and the State Tax Commissioner is satisfied that the gross rent charges were excessive, he may adjust the gross rent to a reasonable amount for purposes of this chapter.

(8) "Property taxes accrued" means property taxes, exclusive of special assessments, delinquent interest, and charges for service, levied on a claimant's homestead in this State in nineteen hundred seventy-three or any calendar year thereafter. If a homestead is owned by two or more persons or entities as joint tenants or tenants in common, and one or more persons or entities are not members of claimant's household, "property taxes accrued" is that part of property taxes levied on the homestead which reflects the ownership percentage of the claimant and his household. For purposes of this paragraph property taxes are "levied" when the tax list is delivered to the treasurer of the county, city or town for collection. If a claimant and spouse own their homestead part of the preceding calendar year and rent it or a different homestead for part of the same year, "property taxes accrued" means only taxes levied on the homestead when both owned and occupied by the claimant at the time of the levy, multiplied by the percentage of twelve months that such property was owned and occupied by the household as its homestead during the preceding year. When a household owns and occupies two or more different homesteads in this State in the same calendar year, property taxes accrued shall relate only to that property occupied by the household as a homestead on the levy date. If a homestead is an integral part of a larger unit such as a farm, or a multi-purpose or multi-dwelling building, property taxes accrued shall be that percentage of the total property taxes accrued as the value of the homestead is of the total value. For purposes of this paragraph "unit" refers to the parcel of property covered by a single tax statement of which the homestead is a part.

§ 58-151.45. The right to file claim under this chapter shall be personal to the claimant and shall not survive his death, but such right may



be exercised on behalf of a claimant by his legal guardian or attorney-in-fact. If a claimant dies after having filed a timely claim, the amount thereof shall be disbursed to his estate, provided that if no executor or administrator qualifies therein within two years of the filing of the claim, the amount of the claim shall escheat to the State.

§ 58-151.46. Subject to the limitations provided in this chapter, a claimant may claim in any year as a credit against the Commonwealth income taxes otherwise due on his income, property taxes accrued, or rent constituting property taxes accrued, or both in the preceding calendar year. If the allowable amount of such claim exceeds the income taxes otherwise due on claimant's income, or if there are no State income taxes due on claimant's income, the amount of the claim not used as an offset against income taxes, after certification by the State Tax Commissioner shall be paid to claimant from balances retained by the Treasurer for general purposes. No interest shall be allowed on any payment made to a claimant pursuant to this chapter.

§ 58-151.47. No claim with respect to property taxes accrued or with respect to rent constituting property taxes accrued shall be paid or allowed, unless the claim is actually filed with and in the possession of the Department of Taxation on or before May one of each year. Subject to the same conditions and limitations, claims may be filed on or before May one of each year with respect to property taxes accrued of the next preceding calendar year.

§ 58-151.48. The amount of any claim otherwise payable under this chapter may be applied by the Department of Taxation against any liability outstanding on the books of the Department against the claimant, or against his or her spouse who was a member of the claimant's household in the year to which the claim relates.

§ 58-151.49. Only one claimant per household per year shall be entitled to relief under this chapter.

§ 58-151.50. The amount of any claim pursuant to this chapter shall be determined as follows:

(1) If the household income was one thousand dollars or less in the year to which the claim relates, the claim shall be limited to seventy-five per centum of the amount by which the property taxes accrued or rent constituting property taxes accrued in such year on the claimant's homestead.

(2) If the household income of the claimant's household was more than one thousand dollars in the year to which the claim relates, the claim shall be limited to sixty per centum of the amount by which the property taxes accrued, or rent constituting property taxes accrued in such year on the claimant's homestead is in excess of one per centum of the household income exceeding one thousand dollars, but not exceeding two thousand dollars, two per centum of the household income exceeding two thousand dollars but not exceeding two thousand five hundred dollars, four per centum of the household income exceeding two thousand five hundred dollars but not exceeding three thousand dollars; eight per centum of the household income exceeding three thousand dollars, but not exceeding three thousand five hundred dollars; ten per centum of the household income exceeding three thousand five hundred dollars but not exceeding four thousand dollars; fourteen per centum of the household in-

come exceeding four thousand dollars but not exceeding four thousand five hundred dollars; and fifteen per centum of the household income exceeding four thousand five hundred dollars but not exceeding five thousand dollars.

(3) The State Tax Commissioner shall prepare a table under which claims under this chapter shall be determined. The table shall be published in the Department's official regulations and shall be placed on the appropriate tax forms. The amount of claim as shown in the table for each bracket shall be computed only to the nearest ten cents.

(4) The claimant, at his election, shall not be required to record on his claim the amount claimed by him. The claim allowable to persons making this election shall be computed by the Department, which shall notify the claimant by mail of the amount of his allowable claim.

(5) No claim allowable under the provisions of this section shall exceed two hundred seventy-five dollars.

§ 58-151.51. The State Tax Commissioner shall make available suitable forms with instructions for claimants, including a form which may be included with or as a part of the individual income tax form. The claim shall be in such form as the Commissioner may prescribe.

§ 58-151.52. Every claimant under this chapter shall supply to the Department, in support of his claim, reasonable proof of rent paid, name and address of owner or managing agent of property rented, property taxes accrued, changes of homestead, household membership, household income, size and nature of property claimed as the homestead and a statement that the property taxes accrued and used for purposes of this chapter have been or will be paid by him and that there are no delinquent property taxes on the homestead.

§ 58-151.53. If on the audit of any claim filed under this chapter the State Tax Commissioner determines the amount to have been incorrectly determined, he shall redetermine the claim and notify the claimant of the redetermination and his reasons for it. The redetermination shall be final unless appealed within thirty days of notice.

§ 58-151.54. If it is determined that a claim is excessive and was filed with fraudulent intent, the claim shall be disallowed in full, and, if the claim has been paid or a credit has been allowed against income taxes otherwise payable, the credit shall be canceled and the amount paid may be recovered as income taxes are assessed, and the assessment shall bear interest from the date of payment or credit of the claim, until refunded or paid, at the rate of one per centum per month. The claimant in such case, and any person who assisted in the preparation or filing of such excessive claim or supplied information upon which such excessive claim was prepared, with fraudulent intent, shall be guilty of a misdemeanor. If it is determined that a claim is excessive and was negligently prepared, ten per centum of the corrected claim shall be disallowed, and if the claim has been paid or credited against income taxes otherwise payable, the credit shall be reduced or canceled, and the proper portion of any amount paid shall be similarly recovered as income taxes are assessed, and the assessment shall bear interest at one per centum per month from the date of payment until refunded or paid.

§ 58-151.55. If a homestead is rented by a person from another person under circumstances deemed by the Commissioner to be not at arms-

length, he may determine rent constituting property taxes accrued as at arms-length, and, for purposes of this chapter, such determination shall be final.

§ 58-151.56. Any person aggrieved by the denial in whole or in part of relief claimed under this chapter, may appeal the denial in the manner provided by law.

§ 58-151.57. No claim for relief under this chapter shall be allowed to any person who is a recipient of public assistance, nor to any person who has a net financial worth, including equitable interests, as of the 31st day of December of the immediately preceding calendar year, excluding the value of the dwelling and the land, not exceeding one acre upon which it is situated, exceeding twenty thousand dollars.

§ 58-151.58. A claim shall be disallowed, if the Department finds that the claimant received title to his homestead primarily for the purpose of receiving benefits under the provisions of this chapter.

§ 58-151.59. In case of sickness, absence or other disability, or if, in his judgment, good cause exists, the Commissioner may extend for a period not to exceed six months the time for filing a claim.

§ 58-151.60. If any provision of this act is declared unconstitutional or the applicability thereof to any person or circumstances is held invalid, the constitutionality of the remainder of the act and applicability thereof to other persons and circumstances shall not be affected thereby.

2. This act shall be effective for the tax years commencing nineteen hundred seventy-two and thereafter.

3. That 58-760.1 of the Code of Virginia is repealed.

