Office of the County Auditor
Auditor's Analysis

Council Bill No. 23-2021

Introduced: March 1, 2021
Auditor: Michelle R. Harrod

Fiscal Impact:

We cannot ascertain the fiscal impact of this legislation with complete certainty. However, we estimate the fiscal impact of this legislation over a four-year period is approximately $2.76 million in decreased property tax revenue (see **Table 1**) due to an increase in tax credits using the assumptions noted below.

This impact is dependent on the number of residents who apply and are approved for the tax credit stipulated in Section 20.129E of the County Code. It is offset by a reduction of existing tax credits as those currently receiving this credit will reach the maximum five years of eligibility and drop off, noted in **Table 1** below as "Expired Term."

Assumptions used in calculation include the following:

- Residents are living and remain in their homes for the required number of years.
- Fifty percent of residents would apply, based on historical trends from the data provided by Finance.
- The tax credit would be granted for five continuous years.
- Residents who are currently receiving the Senior Tax Credit are excluded because residents can only receive either a Senior or Aging-In-Place Tax Credit and the Senior Tax Credit is more beneficial to the homeowner.
- No future qualifying homeowners would choose to apply for the Senior Tax Credit instead of applying for the Aging-In-Place Tax Credit.
- Assessments increased 2 percent annually on average.
- Homeowners would all be over the age of 65 or retired military.

Based on data provided by the Department of Finance (Finance) on the number of residents living in the same home for 30 or more years, the Auditor's Office has estimated the following phased-in fiscal impact.

Table 1 – Estimated Phased-in Tax Credit

Tax Year	Estimated Annual Increase AIP Tax Credit	Expired Term Decrease AIP Tax Credit	Net Fiscal Impact of AIP Tax Credit
TY 2022	$ 669,000	$ (991,000)	$ (322,000)
TY 2023	1,203,000	(384,000)	819,000
TY 2024	1,386,000	(279,000)	1,107,000
TY 2025	1,504,000	(353,000)	1,151,000
Total	**$ 4,762,000**	**$ (2,007,000)**	**$ 2,755,000**

Note: In addition to those currently in their homes for 35 to 39 years, the "Estimated Annual Increase Aging-In-Place Tax Credit" includes residents currently in their home for 30 to 34 years who will roll into the program.

Purpose:

The purpose of this proposed legislation is to reduce the number of required years of residency in the same home from 40 to 35 years in order to qualify for the Aging-In-Place Tax Credit noted in the County Code in Section 20.129E - Property Tax Credit for Seniors and Retired Military.

This legislation proposes the following phased-in approach to qualify for the credit:

- Tax Year 2022 - Residents living in their home for 38 or more years
- Tax Year 2023 – Residents living in their home for 36 or more years
- Tax Year 2024 and forward – Residents living in their home for 35 or more years

Other Comments:

Based upon information provided by Finance, we have determined the following:

Data provided Finance does not include the age of a resident or whether or not the resident is retired military, as this information is not available.

There were 2,073 residents receiving a total of $1.63 million in tax credits during Tax Year 2020. The effective Tax Year 2022 for this proposed legislation begins July 1, 2022, and continues through June 30, 2023.

The estimated tax credit is based upon 1,647 residents living in their home for 35 to 39 years who are not currently receiving a Senior Tax Credit or the Aging-In-Place Tax Credit. In addition, there are 648 residents living in their homes for 30 to 34 years who will become eligible for the tax credit over the four-year period of the phase-in.

Finance clarified that residents are eligible for this tax credit for a total of 5 years. These years are not required to be contiguous. For example, there are residents who received the tax credit in years 2017, 2018, and 2020, which account for 3 years of tax credits. They have 2 years remaining.