

Memorandum



CITY OF DALLAS

DATE May 31, 2019

TO Honorable Mayor and Members of the City Council

SUBJECT **Property Tax Exemptions: Age 65/Older or Disabled**

On Wednesday, June 5, the Office of Budget will brief City Council on Property Tax Exemptions: Age 65/Older or Disabled. The presentation materials are attached for your review.

Please let me know if you need additional information.

A handwritten signature in blue ink that reads "M. Elizabeth Reich".

M. Elizabeth Reich
Chief Financial Officer

Attachment

c: T. C. Broadnax, City Manager
Chris Caso, City Attorney (Interim)
Mark Swann, City Auditor
Billieae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer
Michael Mendoza, Chief of Economic Development and Neighborhood Services
Laila Aleqresh, Chief Innovation Officer
Directors and Assistant Directors

Property Tax Exemptions: Age 65/Older or Disabled

City Council Briefing

June 5, 2019

**M. Elizabeth Reich,
Chief Financial Officer**

**Jack Ireland, Director
Office of Budget**

**Janette Weedon, Assistant Director
Office of Budget**



Outline of Presentation

- Provide overview of property tax
- Review current property tax exemptions
 - Residential homesteads
 - Individuals age 65 or older or with a disability
- Discuss Financial Management Performance Criteria (FMPC) #23 and proposed change to age 65/older or disabled exemption

Property Tax Overview

- Property tax is the single largest source of revenue for the City
- FY 2018-19 budget totals \$987.3 million for current year taxes and assumes 97.7% collection rate
 - General Fund: \$720.4 million
 - Debt Service: \$266.9 million
- Property tax is calculated using 3 factors:
 - Tax base value certified by 4 appraisal districts
 - Tax exemptions allowed by state law and approved by City Council
 - Tax rate set by City Council

Property Tax Exemptions

- Property tax exemptions are defined by State law
- Exemptions reduce liability for property owners but also reduce revenue to support City services
- Exemptions in Dallas include:
 - 366,859 parcels have either a partial or total exemption
 - \$36.9 billion of property tax base value is exempt from being taxed
 - \$280.1 million of revenue is foregone due to property tax exemptions

Property Tax Exemptions

- Some properties are totally exempt such as those used for school, church, or government
- Some properties are partially exempt such as owner-occupied residential properties including:
 - Residential homestead
 - Only a homeowner's principal residence qualifies
 - Any taxing unit may offer an exemption of up to 20% of a home's value
 - Individuals age 65/older or with a disability
 - City Council has flexibility to increase or decrease this exemption
 - Must be stated as a dollar amount, not percent
 - There is no maximum related to this exemption

Property Tax Exemptions

- City Council has authorized owner-occupied residential property exemptions as a local option under State law
 - Established the age 65/older or disabled exemption at \$50,000 (4/23/86)
 - Increased the age 65/older or disabled exemption from \$50,000 to \$64,000 (9/17/86)
 - Approved a 20% residential homestead exemption, the maximum allowed by State law (4/13/88)
 - Increased the age 65/older or disabled exemption from \$64,000 to \$90,000 (6/28/17)

Property Tax Exemptions

- To compare with others, we surveyed 88 cities in Dallas, Collin, and Denton counties
- Residential homestead exemption
 - Dallas = 20% (maximum allowed by State law)
 - Average = 4%
 - 55 cities have no homestead exemption
 - 9 cities have 20% homestead exemption
- Age 65/older or disabled exemption
 - Dallas = \$90,000
 - Average = \$38,648
 - 3 cities have amounts greater than \$90,000

FMPC #23

- Required to compare the current exemption for individuals age 65/older or with a disability to the most recent annual Consumer Price Index (CPI) every 2 years
- Required to provide analysis to City Council prior to June 30 for possible increase of this property tax exemption
 - Changes to property tax exemptions must be provided to the appraisal districts no later than June 30

FMPC #23

- CPI is a measure of the average change over time in prices paid by urban consumers for a market basket of consumer goods and services
- Price changes in CPI are used to assess price changes associated with the cost of living
- CPI is commonly used to adjust eligibility levels for Social Security

FMPC #23

- Although FMPC #23 requires a review for only the most recent annual CPI, we recommend that the age 65/older and disabled exemption be adjusted for both of the 2 years since June 2017 when the exemption was increased to \$90,000
- Recommend increasing this exemption from \$90,000 to \$94,100

FMPC #23

Age 65/Older or Disabled Exemption Analysis

	Current: \$90,000	Option A: \$91,800	Option B: \$94,100
CPI for April 2017 to 2018	N/A	N/A	+2.5%
CPI for April 2018 to 2019	N/A	+2%	+2%
Change in Exemption	No Change	+\$1,800	+\$4,100
Value of Exemption	\$5 billion	\$79 million	\$177 million
Total Revenue Foregone	\$38 million	\$0.6 million	\$1.3 million
General Revenue Foregone	\$27.7 million	\$0.4 million	\$1.0 million
Debt Revenue Foregone	\$10.3 million	\$0.2 million	\$0.3 million
City Tax Bill *	\$1,009.71	\$995.73	\$977.87
Change in City Tax Bill *	No Change	- \$13.98	- \$31.84

* Assumes average value of \$275,000 and 20% homestead exemption plus age 65/older or disabled exemption.

Next Steps

- June 12 Addendum – City Council consideration of change to current age 65/older or disabled exemption and notify appraisal districts of any change by June 30
- June 18 Briefing – City Council update on biennial budget for FY 2019-20 and FY 2020-21 including impact of SB2 property tax revenue cap and other State legislative action

Property Tax Exemptions: Age 65/Older or Disabled

City Council Briefing

June 5, 2019

M. Elizabeth Reich,
Chief Financial Officer

Jack Ireland, Director
Office of Budget

Janette Weedon, Assistant Director
Office of Budget



Appendix - Property Tax Exemption Analysis

Appraisal District	City	Homestead Exemption %	Age 65 or older	Disabled person
Dallas CAD	Addison	20%	50,000	60,000
Collin CAD	Allen	0%	50,000	25,000
Collin CAD	Anna	0%	30,000	0
Denton CAD	Aubrey	0%	10,000	0
Dallas CAD	Balch Springs	1%	30,000	30,000
Collin CAD	Blue Ridge	0%	10,000	10,000
Collin CAD, Denton CAD, Dallas CAD	Carrollton	20%	60,000	60,000
Dallas CAD	Cedar Hill	0%	30,000	30,000
Collin CAD, Denton CAD	Celina	0%	30,000	30,000
Dallas CAD	Cockrell Hill	1%	3,000	0
Denton CAD	Colony	0%	10,000	10,000
Dallas CAD	Combine	0%	35,000	35,000
Denton CAD, Dallas CAD	Coppell	5%; 5,000 min	75,000	75,000
Denton CAD	Corinth	0%	20,000	20,000
Collin CAD, Denton CAD, Dallas CAD	Dallas	20.00%	90,000	90,000
Denton CAD	Denton	0.5%; 5,000 min	50,000	50,000
Dallas CAD	Desoto	0%	30,000	25,000
Dallas CAD	Duncanville	0%	30,000	30,000
Dallas CAD	Farmers Branch	20%	65,000	60,000
Collin CAD	Farmersville	0%	10,000	20,000
Dallas CAD	Ferris	0%	3,000	0
Denton CAD	Fort Worth	20%; 5,000 min	40,000	40,000
Collin CAD, Denton CAD	Frisco	10%	80,000	80,000
Collin CAD, Dallas CAD	Garland	8%	51,000	51,000
Dallas CAD	Glenn Heights	0%	25,000	25,000
Dallas CAD	Grand Prairie	1%	45,000	30,000
Denton CAD, Dallas CAD	Grapevine	20%	60,000	10,000
Denton CAD	Hackberry	0%	10,000	0
Denton CAD	Haslet	20%; 5,000 min	50,000	0
Dallas CAD	Highland Park	20%	50,000	0
Denton CAD	Highland Village	0%	75,000	75,000
Dallas CAD	Hutchins	10%	10,000	10,000
Dallas CAD	Irving	20%	45,000	45,000
Collin CAD	Josephine	0%	10,000	10,000
Denton CAD	Justin	0%	5,000	0
Denton CAD	Krugerville	0%	20,000	20,000
Denton CAD	Krum	0%	10,000	10,000
Denton CAD	Lake Dallas	0%	20,000	20,000
Dallas CAD	Lancaster	0%	30,000	30,000
Collin CAD	Lavon	1%	20,000	20,000
Denton CAD, Dallas CAD	Lewisville	0%	60,000	20,000
Collin CAD	Lowry Crossing	0%	15,000	15,000
Collin CAD	Lucas	8%	50,000	50,000
Collin CAD	McKinney	0%	65,000	65,000
Collin CAD	Melissa	0%	30,000	30,000
Dallas CAD	Mesquite	0%	65,000	15,000
Collin CAD	Murphy	0%	50,000	50,000
Collin CAD	Nevada	0%	10,000	0
Denton CAD	Oak Point	0%	20,000	20,000
Dallas CAD	Ovilla	0%	50,000	50,000

Appendix - Property Tax Exemption Analysis

Appraisal District	City	Homestead Exemption %	Age 65 or older	Disabled person
Collin CAD	Parker	0%	50,000	0
Denton CAD	Pilot Point	0%	10,000	0
Collin CAD, Denton CAD	Plano	20%	40,000	40,000
Collin CAD	Princeton	0%	25,000	25,000
Collin CAD, Dallas CAD	Richardson	0%	100,000	100,000
Denton CAD	Roanoke	20%; 10,000 min	40,000	4,500
Dallas CAD	Rowlett	1%	30,000	50,000
Collin CAD	Royse	0%	6,000	5,000
Collin CAD, Dallas CAD	Sachse	0%	50,000	50,000
Denton CAD	Sanger	0%	30,000	20,000
Dallas CAD	Seagoville	10%	30,000	30,000
Denton CAD	Southlake	20%; 5,000min	75,000	75,000
Dallas CAD	Sunnyvale	0%	65,000	65,000
Denton CAD	Town of Argyle	1%; 5,000 min	40,000	40,000
Denton CAD	Town of Bartonville	0%	50,000	50,000
Denton CAD	Town of Copper Canyon	1%; 5,000 min	10,000	10,000
Collin CAD	Town of Fairview	0%	60,000	60,000
Denton CAD	Town of Flower Mound	0%	100,000	100,000
Denton CAD	Town of Hickory Creek	0%	10,000	10,000
Denton CAD	Town of Lakewood Village	0%	25,000	0
Denton CAD	Town of Little Elm	0%	10,000	10,000
Collin CAD	Town of New Hope	0%	50,000	50,000
Denton CAD	Town of Northlake	5%; 5,000 min	15,000	15,000
Denton CAD	Town of Dish	0%	10,000	5,000
Denton CAD	Town of Double Oak	0%	50,000	50,000
Denton CAD	Town of Draper (FKA Corral City)	0%	0	0
Denton CAD	Town of Ponder	0%	50,000	50,000
Collin CAD, Denton CAD	Town of Prosper	10%; 5,000 min	10,000	3,000
Denton CAD	Town of Providence Village	0%	10,000	10,000
Denton CAD	Town of Shady Shores	1%; 5,000 min	10,000	0
Collin CAD	Town of St. Paul	0%	50,000	0
Denton CAD	Town of Trophy Club	0%	35,000	0
Denton CAD	Town of Westlake	20%; 5,000 min	10,000	10,000
Dallas CAD	University park	20%	387,000	387,000
Collin CAD	Van Alstyne	25,000	10,000	10,000
Collin CAD	Weston	0%	20,000	20,000
Dallas CAD	Wilmer	1%	6,000	6,000
Collin CAD, Dallas CAD	Wylie	0%	30,000	30,000
<u>Benchmark Cities</u>				
Harris CAD	Houston	20%	160,000	16,000
Travis CAD	Austin	10%	88,000	88,000
Bexar CAD	San Antonio	0%	65,000	12,500