

Tax-Exempt Properties and Policies

Board of Supervisors Budget Work Session

December 6, 2016

Work Session Agenda

- Tax-Exemptions for Individuals
- Tax-Exempt Properties in Roanoke County
- Land Use Assessment Exemptions
- Real Property Tax Exemptions by Classification
- Real Property Tax Exemptions by Designation
- Next Steps

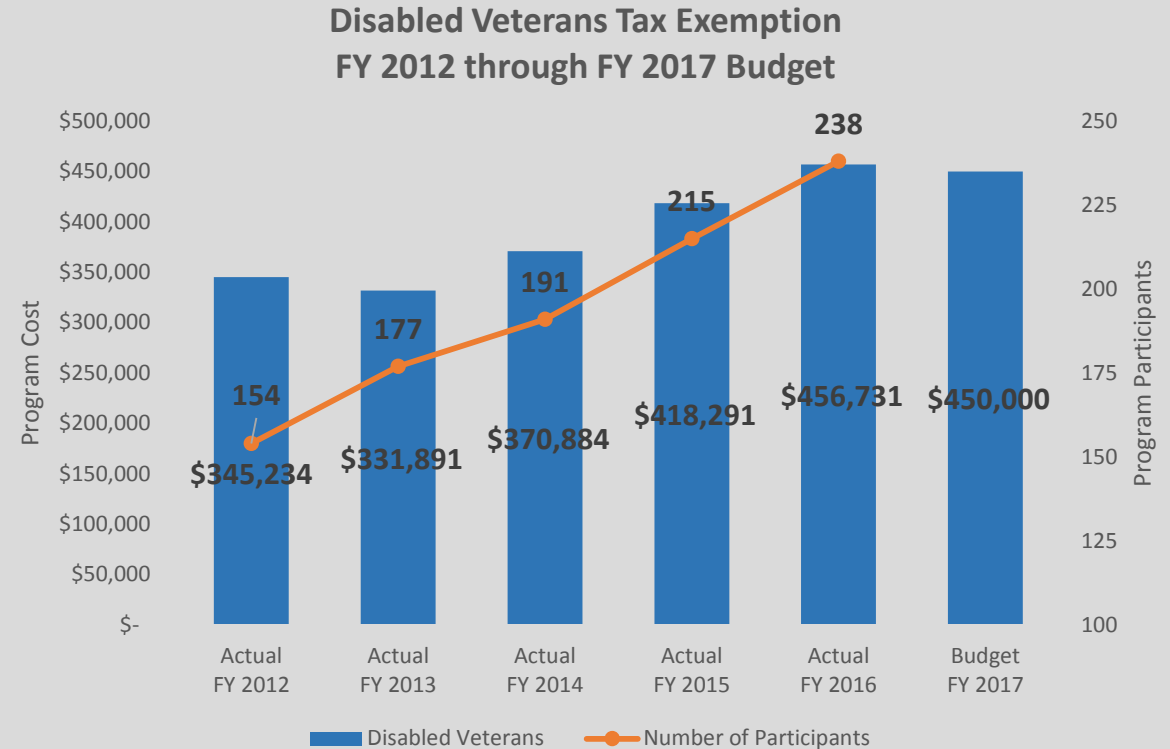
Tax Exemptions for Individuals

Tax-Exempt Individuals

Disabled Veterans Property Tax Exemption

- Tax Exemption authorized through Article X, Section 6-1 of the Constitution of Virginia and Title/Section 58.1-3219.5 of the Code of Virginia
- Administered through Commissioner of Revenue's Office
- Criteria for veterans or surviving spouse -
 - Principal place of residence
 - Owned and occupied by disabled veteran or unremarried surviving spouse
 - Certification letter stating that disability is 100% service related

Source: <http://www.roanokecountyva.gov/index.aspx?NID=1179>



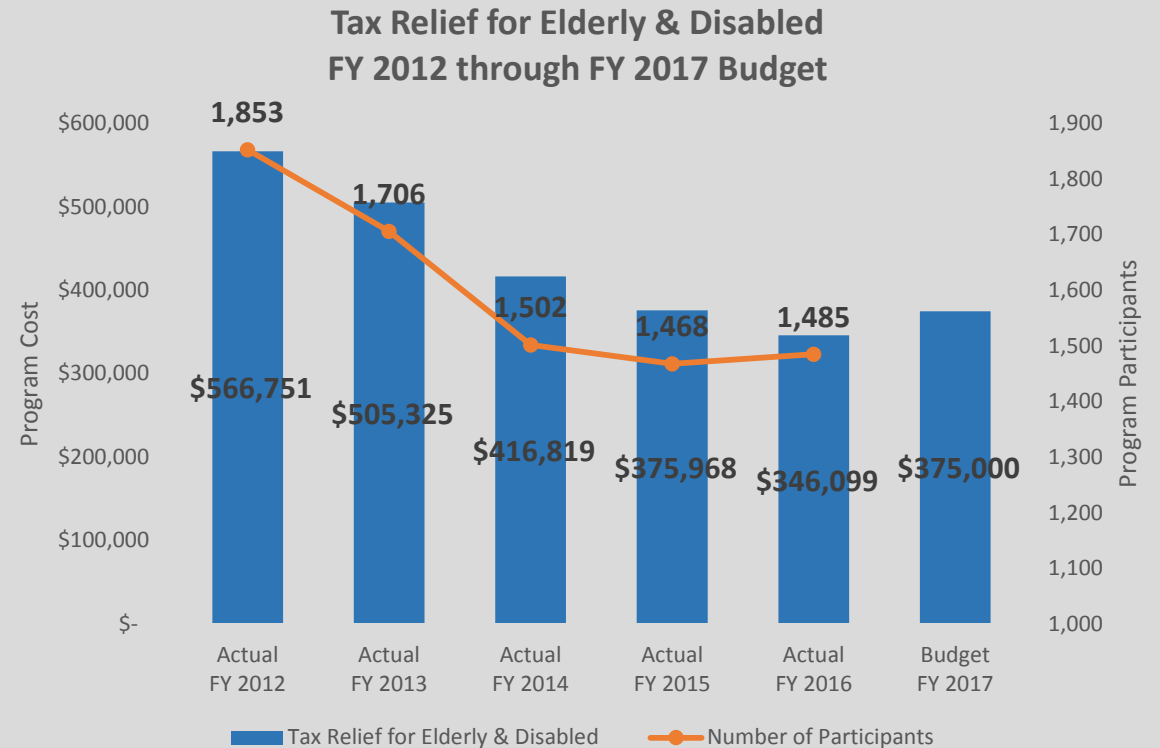
FY 2017 Budget equivalent to approximately 0.55 cents annually on the Real Estate Tax Rate

Tax-Exempt Individuals

Tax Relief for Elderly & Disabled

- Authority granted to local governing body through Title/Chapter 58.1-3210 of the Code of Virginia
- Administered through Commissioner of Revenue's Office
- Criteria for tax relief -
 - Disabled or over age 65
 - Combined income of less than \$56,566
 - Net assets not exceeding \$200,000, excluding value of dwelling and one acre of land
- "Tax freeze" program

Source: <http://www.roanokecountyva.gov/index.aspx?NID=463>



FY 2017 Budget equivalent to approximately 0.45 cents annually on the Real Estate Tax Rate

Tax-Exempt Individuals

Other Individual Tax Exemptions

- **Title 58.1 Chapter 3219.5 of the Code of Virginia** - Exemption from taxes on property of surviving spouses of members of the armed forces killed in action.
 - One (1) individual in Roanoke County.
- **Constitutional Amendment approved by voters in 2016** - The proposed constitutional amendment authorizes the General Assembly to enact a law that would allow a locality to exempt from taxation the real property of the surviving spouse of any law-enforcement officer, firefighter, search and rescue personnel, or emergency medical services personnel who is killed in the line of duty.¹

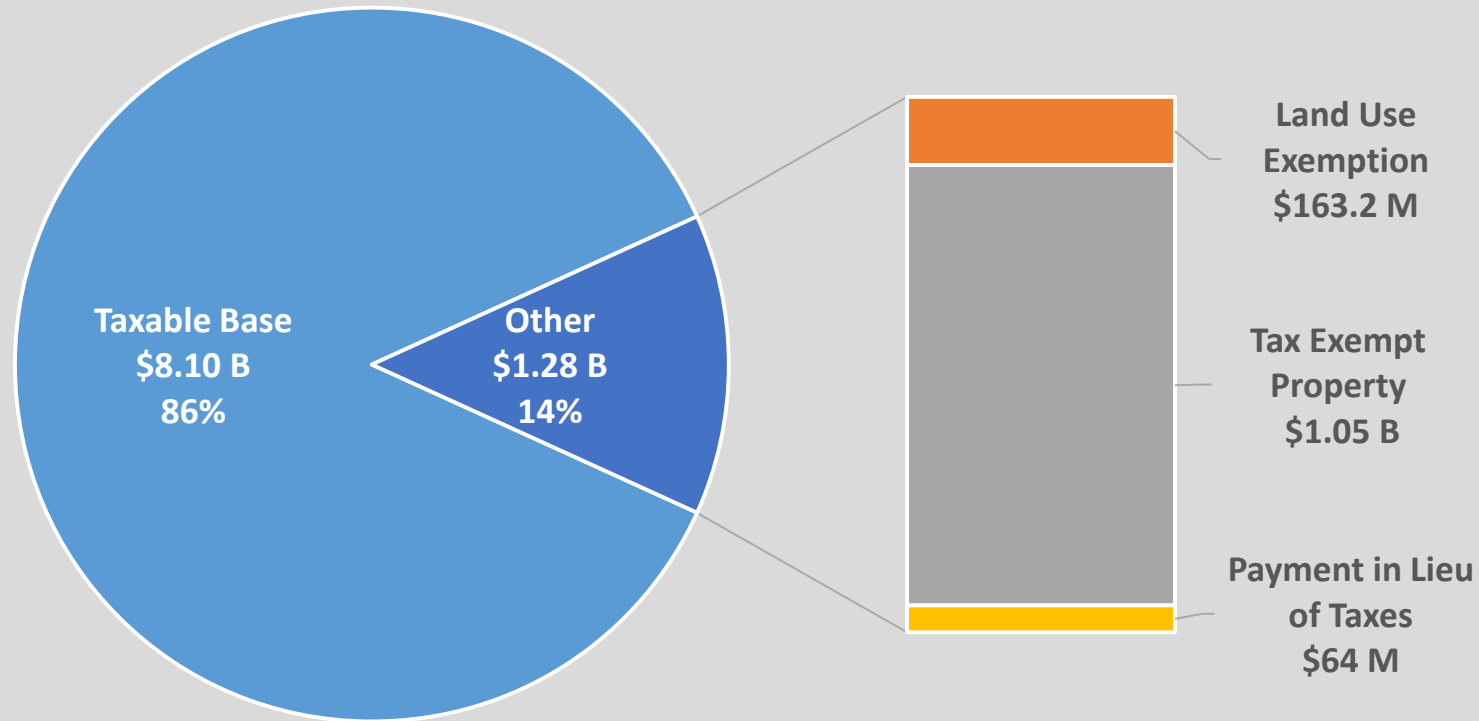
¹Source: <http://www.elections.virginia.gov/election-law/proposed-constitutional-amendment-2016/>

Real Property Tax Exemptions

Tax-Exempt Properties

Tax-Exempt Real Property in Roanoke County

2016 Taxable and Tax-Exempt Assessed Value
(in Billions)



Land Use Assessments

Tax-Exempt Properties

Land Use Assessments

- Virginia law and County Code allows eligible agricultural, horticultural, forest and open space land to be taxed based on the land's use value as opposed to the land's fair market value.
- Program administered by the County's Real Estate Valuation Office
- **Use Value** - amount that one would expect to sell the land for if it were restricted to a pre-defined use.
- **Fair Market Value** - the amount one could expect to sell a parcel for if no further restrictions were placed on its use other than those placed on the parcel through the local political process.
- The tax reduction that is applied in the Land Use Program is a deferral, not a discount.

Source: <https://pubs.ext.vt.edu/448/448-037/448-037.html>

Tax-Exempt Properties Land Use Assessments - 2016

Category	Description	# of Acres in Land Use
Forestry	<p>Real estate devoted to forest use includes standing timber and trees devoted to marketable timber production, which is maintained as to constitute a forest area under standards prescribed. Land must be a (20) acre minimum with one or more of the following qualifying uses:</p> <ul style="list-style-type: none"> • <u>Productive Forest Land</u>: Land devoted to forest use, which has well distributed commercially valuable trees that are accessible for harvesting. • <u>Nonproductive Forest Land</u>: Land devoted to forest use, but not capable of growing crops of industrial wood because of inaccessibility or adverse site conditions such as steep mountain sides, heavily eroded areas or other conditions that prohibit the growth and harvesting of a crop of trees suitable for commercial use. 	53,685 acres

Source: <http://www.roanokecountyva.gov/index.aspx?NID=772>

Tax-Exempt Properties Land Use Assessments - 2016

Category	Description	# of Acres in Land Use
Agricultural	<p>Real estate in this use category must be devoted to the bona fide production for sale of livestock and/or crops useful to man. Land must be a five (5) acre minimum with one or more of the following qualifying uses:</p> <ul style="list-style-type: none"> • Livestock per 5 acres – 1 cow, 1 horse, 5 sheep, 66 turkeys, 100 chickens, 100 other fowl • Field crops: hay, corn, wheat 	11,657 acres
Open Space	<p>Real estate used to provide or preserve for park and recreational purposes for the public, conservation of land, water sheds or other natural resources, floodways, historic or scenic purposes or assisting in the character, direction and timing of community development or for public interest and consistent with the County's Comprehensive Plan.</p>	389 acres
Horticultural	<p>Real estate devoted to the bona fide production for sale of fruits of all kinds, including grapes, nuts and berries, vegetables, ornamental plants and ornamental products. Land must be a five (5) acre minimum with one or more of the qualifying uses:</p> <ul style="list-style-type: none"> • Nursery, Greenhouse, Orchard, Vineyard or other fruit production 	273 acres

Source: <http://www.roanokecountyva.gov/index.aspx?NID=772>

Tax-Exempt Properties

Land Use Assessments (2016 Land Book)

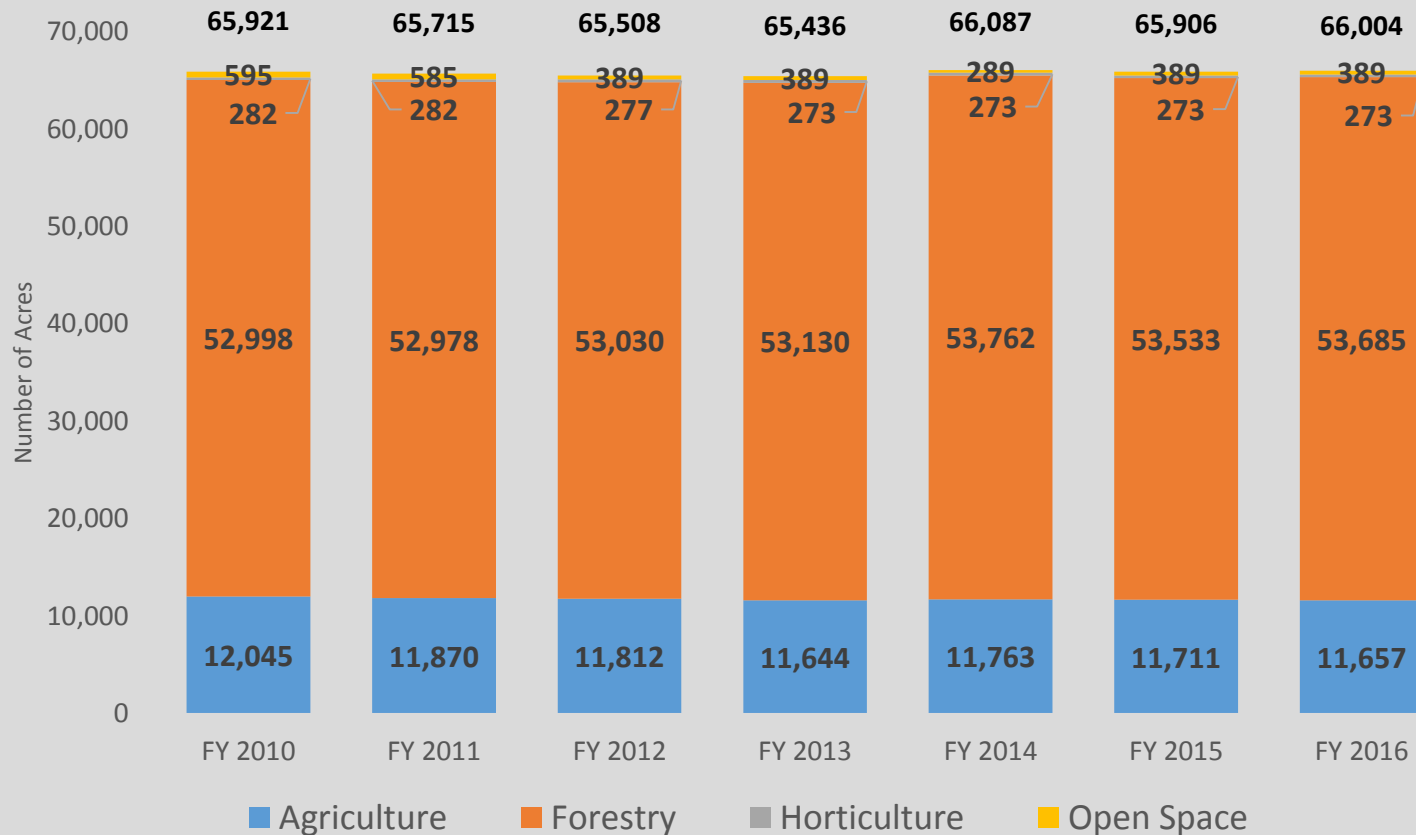
	Roanoke County	Town of Vinton
Deferred Value of Land Use Assessments	\$163,058,900	\$152,900
Impact of Tax Collection	(\$1,777,342)	(\$1,667)
% of Total Real Estate Tax Collection	2.0%	0.002%

Impact of Land Use Assessment is equivalent to approximately 2.2 cents annually on the Real Estate Tax Rate

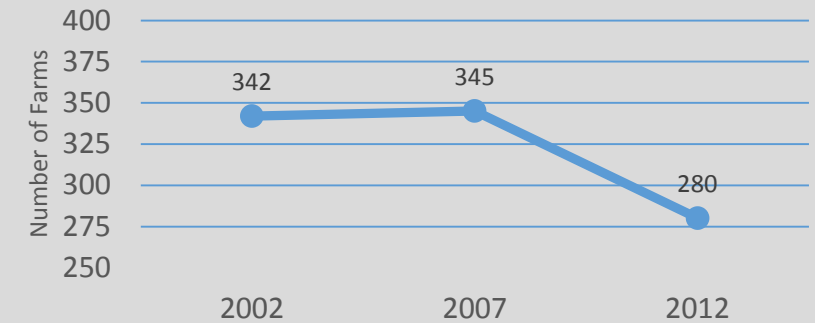
- Market value of land in Land Use is \$2.1 billion
- Land Use (use value) reduces taxable value by \$163.2 million
- Approximately 1,700 parcels (out of 45,602) in Roanoke County and Town of Vinton in Land Use
- Approximately 800 property owners benefit from land use designations; equal to 2.3% of County property owners

Tax-Exempt Properties Land Use Assessments

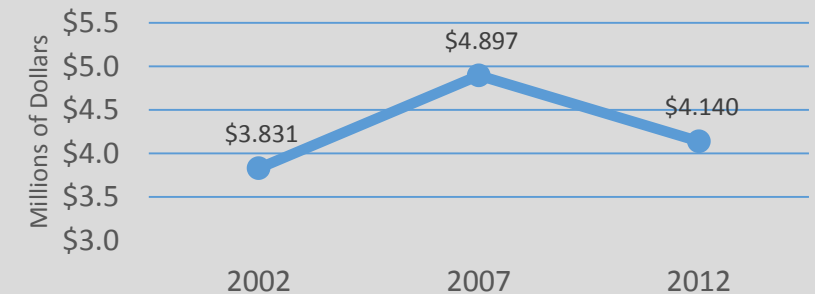
Land Use by Category



Number of Farms
in Roanoke County



Market Value of Products Sold
(in Millions)

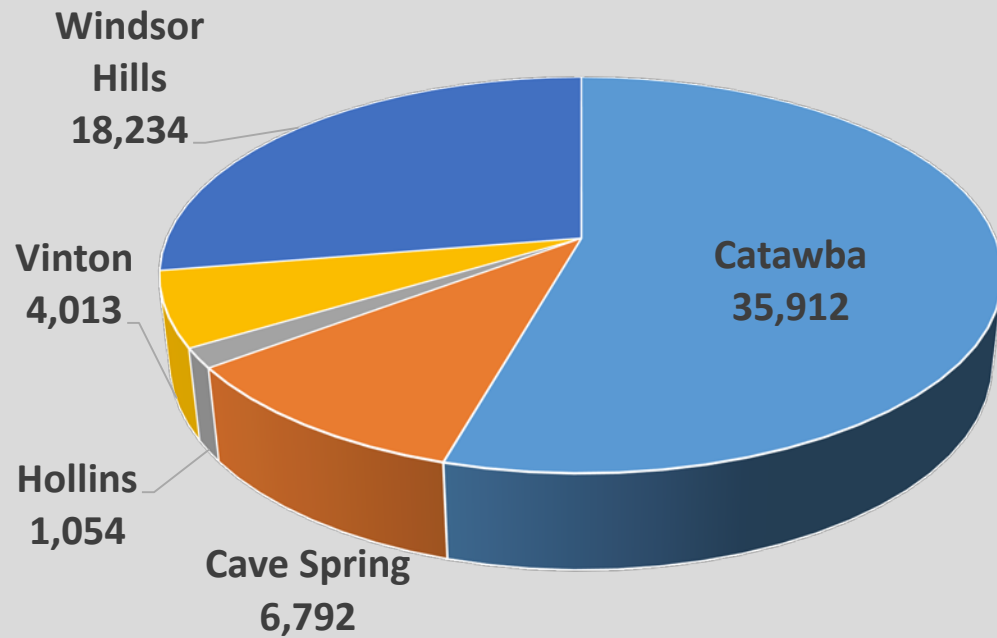


Sources: 2002, 2007, 2012 United States Department of Agriculture "Census of Agriculture"

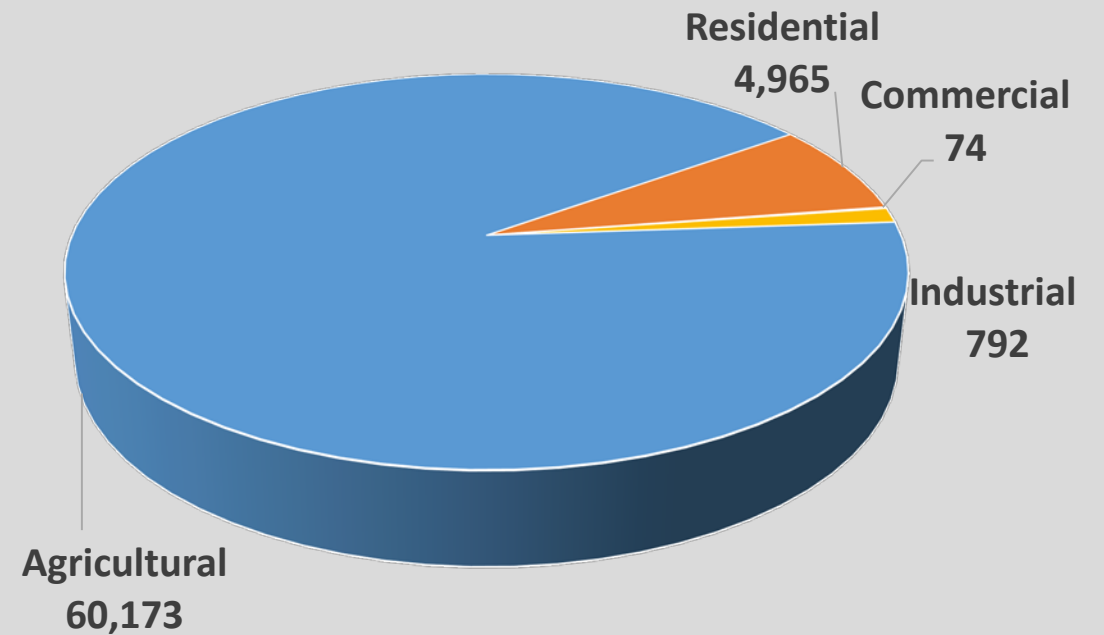
Tax-Exempt Properties

Land Use Assessments (2016 Land Book)

Land Use Acres Per District



Land Use Acres by Zoning Classification



Tax Exemption by Classification or State / Local Designation

Tax-Exempt Properties

Process of Determining Tax-Exemption

- Non-Profit organization completes application to the Commissioner of Revenue for exemption from property taxation (can include both real and personal property).
- Commissioner of Revenue reviews the application to determine eligibility for property tax exemption by classification or prior designation by General Assembly pursuant to title/chapter 58.1-3600 et. seq. of the Code of Virginia.
- If eligibility is confirmed, then property identified is granted tax-exempt status.
- If eligibility is not confirmed by the Commissioner of Revenue, the non-profit organization may petition to the Board of Supervisors for consideration of exemption by local designation.
- If the Board of Supervisors wishes to approve granting a property tax exemption (or payment-in-lieu of taxes) by local designation, the Board of Supervisors must first hold a public hearing and adopt an ordinance approving the designation.

Tax-Exempt Properties

Exemption through Code of Virginia

- **Classification** – Per Code of Virginia (Title 58.1, Chapter 3606, 3609-3622), property utilized for religious, charitable, patriotic, historical, benevolent, cultural, or public park and playground purposes may be classified as tax exempt.

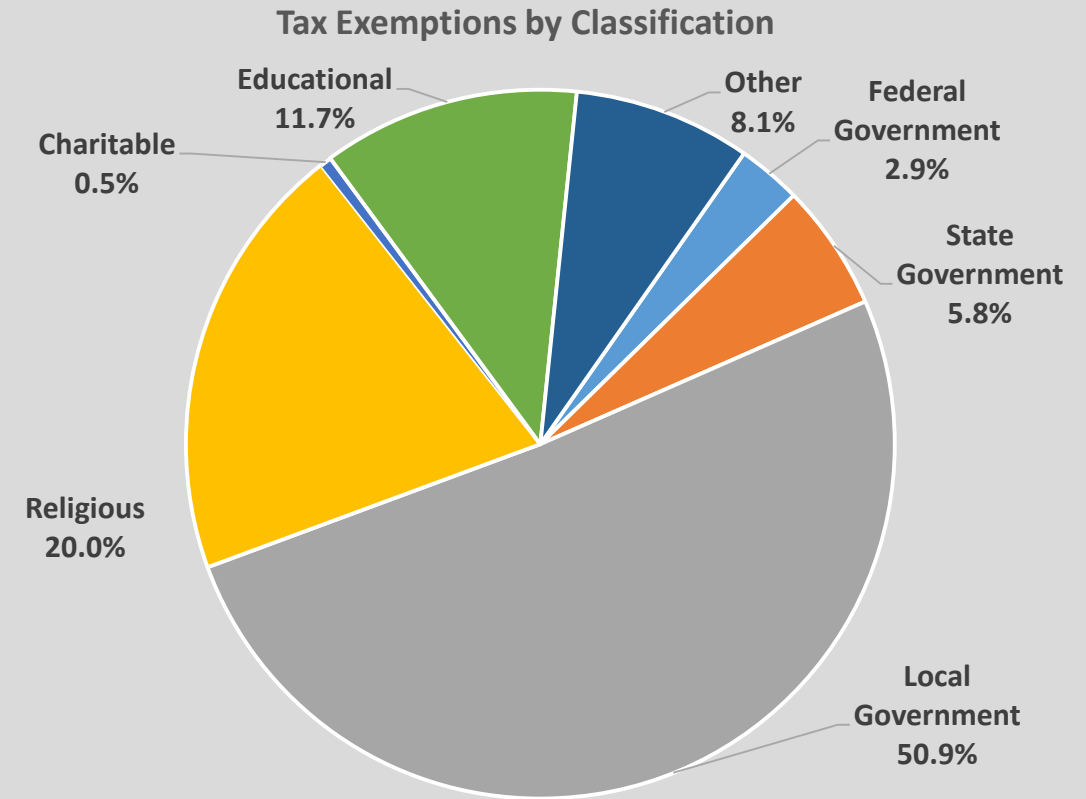
Exemption by Classification under the Code of Virginia		
Church/Religious body	American National Red Cross	SPCA
Libraries open to the public	Non-Profit cemetery	Park/playground
Volunteer fire dept. /rescue squad	Non-Profit institutions of learning	College alumni assoc. / foundation
Auxiliaries of Veterans of WWI	YMCA or similar	Farm club associations
Boy/Girl Scouts of America	Boys/Girls Club of America	Other (i.e. Habitat for Humanity)
Future Homemakers/Business Leaders of America	Home Demonstration Clubs, 4-H Clubs, FFA, Inc.	

Tax-Exempt Properties

Tax Exemption by Classification (2016 Land Book)

Property Type	Total Exempt Real Estate Value (2016)	Estimated Lost Tax Revenue at \$1.09 per \$100 Assessed Value
Federal Government	\$30,631,000	\$333,878
State Government	60,627,200	660,836
Local Government	533,897,900	5,819,487
Religious	210,011,800	2,289,128
Charitable	5,572,600	60,741
Educational	122,995,400	1,340,650
Other	84,682,700	923,041
Total All	\$1,048,418,600	\$11,427,762¹

¹Equivalent to approximately 13.9 cents annually on the Real Estate Tax Rate



Tax-Exempt Properties

Exemption through Designation

- **Designation (before January 1, 2003)** – Local governing body could petition the General Assembly to provide a designation for tax-exempt status which would allow the owner to remit a payment-in-lieu of tax (PILT) not to exceed 20% of the Real Estate Tax rate.
 - Four (4) properties in Roanoke County designated by General Assembly
- **Designation (after January 1, 2003)** – Local governing body could provide a designation for tax-exempt status which would allow the owner to remit a payment-in-lieu of tax (PILT) not to exceed 20% of the Real Estate Tax rate after a public hearing and adoption of an ordinance.
 - Four (4) properties in Roanoke County designated by the Board of Supervisors

Tax-Exempt Properties Payment-in-Lieu of Taxes (PILT)

General Assembly

BOS

(Number of Parcels)/Description/Year Granted	Property Assessment Value (2016)	Taxes at \$1.09 per \$100 of AV	Service Charge at 20% / PILT	Difference/ Forgone Revenue
(9) McVitty Homes/Richfield/1987	\$49,986,600	\$544,854	\$108,971	(\$435,883)
(3) Edinburgh Square Foundation/1987	7,912,700	86,248	17,250	(68,999)
(8) Friendship Manor/1987	18,887,100	\$205,869	41,174	(164,696)
(1) DePaul Family Services/2000	1,109,900	12,098	2,420	(9,678)
(1) Lutheran Family Services/1996	780,700	8,510	1,702	(6,808)
(1) The Salvation Army/2004	446,900	4,871	974	(3,897)
(1) Roanoke Council of Garden Clubs/2005	776,300	8,462	1,692	(6,769)
(1) Advancement Foundation/2011	228,000	2,485	497	(1,988)
Totals	\$80,128,200	\$873,397	\$174,679	(\$698,718)¹

¹Equivalent to approximately 0.85 cents annually on the Real Estate Tax Rate

Potential Next Steps

- Consider tax-exempt policy for Roanoke County
- Discuss further at January 2017 Board of Supervisors retreat
- Review alternative ways to assess and calculate land use

Questions and Comments