



Tax Relief Options

BOCC Budget Update
August 3, 2020



Discussion Topics

- **Tax Relief Options for Residents at or below 30% of the Average Median Income (AMI)**
 - Tax Assistance Grants
 - Long-Term Homeowner Tax Deferment Program
 - Bolster Durham Community Land Trust program participation
- **Staff Recommendations**
- **Board Discussion**



New Tax Exemption Evaluator Tool

- **Elderly/Disabled Homestead Exemption**
- **Circuit Breaker -- Elderly/Disabled Deferment Program**
- **Disabled Veteran Exclusion**

[Tax Exemption Evaluator Tool Link](#)

New Evaluator Tool to Determine Eligibility for Current Tax Exemptions

You may qualify for Tax Relief!

Complete the information below to see if you might qualify for one or more of these tax relief programs for 2020.

Please answer all questions as of January 1, 2020.

Homestead Exclusion/Circuit Breaker Tax Deferment

[More information on the Homestead Exclusion](#)

[More information on the Circuit Breaker Tax Deferment](#)

Is the property your permanent legal residence? ☐ Yes ☐ No

Select your age: ☐ 65 and over ☐ 64 and below

Please select your 2019 income range. Include all income received from all sources (taxable and non taxable). If married, please include spouse's income.

How many years have you owned the residence? ☐ 5 years or more ☐ Less than 5 years

Are you totally and permanently disabled? ☐ Yes ☐ No

Disabled Veteran Exclusion

[More information on the Disabled Veteran Exclusion](#)

Are you a disabled veteran either honorably discharged or discharged under honorable conditions? ☐ Yes ☐ No

Are you the surviving spouse of a disabled veteran or service member that was honorably discharged or discharged under honorable conditions and have never remarried?
☐ Yes ☐ No

Submit

Clear



Potential Tax Relief Options for Residents at or below 30% of the Average Median Income

- **Long-time Homeowner Tax Assistance Grants**
- **Long-time Homeowner Tax Deferment Program**
- **Expand Durham Community Land Trust Participation**

2019 AMI Income for the
Durham-Chapel Hill MSA

Household Size	30% AMI
1 person	17,850
2 person	20,400
3 person	22,950
4 person	25,450



Longtime Low-Income Homeowner Tax Assistance Program Highlights – Program Qualifications

- Household income was 30% or less of the AMI for the preceding calendar year.
- Applicant meets one of the following criteria:
 - Owns and has used the property as the primary residence for at least ten (10) years;
Or
 - Is at least 65 years of age or permanently and totally disabled;
Or
 - Acquired the residence through an affordable housing program or organization.
Or
 - Acquired the residence through inheritance and the property has been owner-occupied by for ten (10) years.

Allow qualifying applicants to pay a maximum of 1% of their defined household income in property taxes. The difference between the required payment of qualifying applicant(s) and the full tax bill for a participating jurisdiction would be covered through a grant. The participating jurisdiction would remit a grant payment to Durham County Tax Administration that would exhaust that jurisdiction's levied taxes for the subject year.



Longtime Low-Income Homeowner Tax Assistance Program Highlights

Projected Cost

Forgone revenue calculated as the full tax bill less the estimated 1% paid by taxpayer – Durham County = \$1,767,000; City of Durham = \$1,333,000; Total = **\$3,100,000**.

It is important to note the Coalition for Affordable Housing and Transit proposal had a lower cost for forgone revenue totaling \$2,119,834.

Administrative costs including 7 staff members processing applications, one outreach position and one supervisory position managing the operation plus benefits and operational expenses - **\$604,350**.

Annual operating expenses are estimated at 15% for an additional expense of **\$59,250**.
Total estimate program cost totaled: **\$3,763,600**.



Longtime Low-Income Homeowner Tax Assistance Grant Program Highlights

Additional program note highlights:

- Any appeal of program qualification would be directed to the Board of Equalization and Review.
- Calculation of a qualifying taxpayer's 1% payment of property taxes in participating jurisdictions would apply to property taxes only. Solid waste, stormwater and other fees do not apply, and these fees may exceed the calculated 1% property tax payment.
- Participating jurisdictions include the Durham County, the City of Durham and Durham County Fire Districts. Taxes levied for the City of Raleigh, Town of Chapel Hill, and Town of Morrisville do not qualify for this program.
- Each household member must be re-evaluated each year as incomes often change annually, thereby changing the calculation of 1%.



Long-Time Homeowner Tax Deferral Repayment Plan

- Under this proposal, a Durham County property owner who has a household income of 30% or less of AMI may file an agreement with Durham County Tax Administration (DCo Tax) for a perpetual payment plan.
- Once a qualifying household income is brought forth and verified, DCo Tax will establish a payment agreement with the qualifying owner that limits the amount of property taxes paid to 4% of annual household income.
- The Circuit Breaker Deferment limits the property taxes paid of qualifying applicants to 4% of income (if less than \$31,500), therefore, for equity the Long-Term Payment Plan Deferral Program uses 4% of income as a basis for annual property taxes as well.



Long-Time Homeowner Tax Deferral Repayment Plan

- The payment plan would continue until a disqualifying event occurs, whichever occurs first: The property is sold, except for inheritance; 10 years from the due date of the first year of taxes under the agreement.
- Upon a disqualifying event, the full balance of all deferred taxes, interest and fees accrued becomes due and payable within 60 days from notification by DCo Tax.
- All years would be covered if the house is sold, but only the deferred amount and interest from year one of the agreement has to be repaid after ten years, in addition to the standard, recurring payment of 4% of income. This would be repeated for each additional year with a deferral.

Long-Time Homeowner Tax Deferral Repayment Plan

Estimated costs and loss in revenue can be found below:

1. Revenue loss: while each year Durham County will experience a lower amount of revenue for those participating in this program, the overall revenue loss is **\$0**. Upon a disqualifying event the full balance is due and payable.
2. Additional staff needed to administer this program is estimated at three (3) additional delinquent collectors. Salary and benefits of these three positions is estimated to be **\$186,300**.
3. Ongoing operational costs are estimated at 15% of base salary for an additional **\$20,250**.

Total estimate program costs: **\$206,550**.

Estimated annual revenue loss: **Durham County = \$570,000; City of Durham = \$430,000; Total = \$1,000,000**. Although no loss in revenue from a long-term perspective.

Long-Time Homeowner Tax Deferral Repayment Plan

Scenario 1: \$25,000 Income, \$150,000 Property Value

Category	Without Assistance	Payment Plan Deferral @ 4%	Payment Plan Deferral @ 1%
2019 Household Income	\$ 25,000	\$ 25,000	\$ 25,000
Property Tax Cap	NA	\$ 1,000	\$ 250
Tax Value of Residence	\$ 150,000	\$ 150,000	\$ 150,000
Durham County Tax Paid	\$ 1,068	\$ 570	\$ 143
Durham County Tax Deferred	N/A	\$ 498	\$ 926
City of Durham Tax Paid	\$ 798	\$ 430	\$ 108
City of Durham Tax Deferred	N/A	\$ 368	\$ 690
Total Tax Paid	\$ 1,866	\$ 1,000	\$ 250
Total Tax Deferred	N/A	\$ 866	\$ 1,616
Percent of Income Paid in Tax Annually	7.46%	4.00%	1.00%
Taxpayer Balances After 10 Years			
Combined Principal Tax		\$ 8,659	\$ 16,159
Total Interest & Fees*		\$ 4,648	\$ 8,561
Total Balance		\$ 13,307	\$ 24,720

**The deferral proposal includes a fundraising effort to mitigate interest & fees associated with the Proposed Long-term Homeowner Tax Deferral Program for Residents at or below 30% of AMI.*



Long-Time Homeowner Tax Deferral Repayment Plan

Key Takeaways:

- Full legal support for this program;
- No loss in revenue from a long-term perspective;
- Captures a population not covered by current State programs;
- Property taxes are reduced for qualifying owners annually, but the balance is paid in full once the increase in wealth is realized;
- Could be an opportunity for a community organization to establish a fund that assists or covers in full the accrued interest and fees due upon a disqualifying event.
- Current year collection percentage would be impacted, which in turn controls the percentage that can be used in establishing the following year's budget. For example, if we end Year 1 at 98.20% collection rate then our property tax revenue budget for Year 2 can assume no higher than a 98.20% collection rate.



Longtime Low-Income Homeowner

Expand Durham Community Land Trust Participation

- As an affordable housing initiative, there may be an opportunity to work with an already established non-profit in the Durham Community Land Trust (DCLT). Special appraisal principles apply to properties falling into this category.
- This State-approved program is covered by NC General Statute 105-277.17. Few counties in North Carolina have a local non-profit setup in their jurisdiction that administers this program.
- A community land trust is a nonprofit organization that retains ownership of the land, ensuring the future affordability of housing in perpetuity. Purchasers buy DCLT homes and lease the underlying parcel of land. DCLT's land is leased to homeowners for 99 years (renewable) at a low monthly fee.



Expand Durham Community Land Trust Participation

Key Takeaways:

- Program is already in operation in Durham County;
- It has its own statute under North Carolina property tax law;
- Provided the assumed necessary deed restrictions combined with the required appraisal methodology outlined in NCGS 105-277.17, a reduced tax assessment is likely.

Staff Recommendations

- While the Tax Assistance Grant program would offer assistance through local tax dollars, there is no local authorizing authority or case law to support the program. If legal opposition occurred to the program and the courts determined it was improper, the elected officials could be personally liable for all improperly administered taxes per NCGS §105-380.
- Durham County staff recommends that the Board of County Commissioners consider the Long-term Payment Deferral Program and to explore approaches to bolster participation in the Durham Community Land Trust program.
- Further, staff also recommends that the BOCC explore a collaboration with the City of Durham to allocate funds for a housing repair program for long-term homeowners with a household income at or below 30% AMI.



