



SUBMISSION FORM

All submission forms must include the following information. Separate submission forms must be turned in for each eligible program. **Deadline: July 1, 2023.** Please include this submission form with the electronic entry. If you do not receive an email confirming receipt of your entry within 3 days of submission, please contact [Gage Harter](#).

PROGRAM INFORMATION

County: County of Henrico
Program Title: 2+2 Real Estate Tax Relief Plan
Program Category: Customer Service

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SIGNATURE OF COUNTY ADMINISTRATOR OR DEPUTY/ASSISTANT COUNTY ADMINISTRATOR

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Program Overview

With rapid rising inflation and economic uncertainty of home prices in 2021, Henrico County leaders proposed a two-part real estate tax relief plan that reduced the real estate rate and provided an innovative, one-time credit to taxpayers to offset the higher assessed values. The first part of the program involved the reduction of the nominal real estate tax rate from \$0.87 per \$100 of assessed value to \$0.85 per \$100 of assessed value. Henrico County had not raised the real estate tax rate in 44 years, and the six reductions since 1979 have been considered permanent. This portion of the 2 + 2 plan was a widely-understood way to provide long-term tax relief to the Henrico community.

The credit piece of the 2 + 2 plan was a short-term approach made possible by the passage of House Bill 2622 in 2005. This piece of legislation, ultimately Code of Virginia 15.2-2511.1, allowed localities to return a surplus of real property tax revenues to taxpayers. This legislation had not been previously utilized, and it provided the vehicle by which the County could return a portion of real estate taxes to citizens without altering the fundamental real estate tax structure long-term.

After a public hearing held on February 22, 2022, the Board of Supervisors approved an ordinance to return surplus real estate tax revenues to taxpayers in amounts equivalent to 2 cents per \$100 of assessed value. Postcards were distributed to all property owners informing them of the credit program and describing the program. For credit amounts of \$30 or more, property owners of record as of February 1, 2022, would receive a check in the mail. For credit amounts under \$30, credits would be applied directly to the upcoming first installment real estate bills. The initial proposal set the limit for physical checks to \$50, however the Board of Supervisors felt a lower threshold would be appreciated, as \$30 could buy a tank of gas in that current economic environment. March 2023, Henrico County sent out 89,178 checks for credits of \$30 or more, and applied credits of less than \$30 to 16,839 accounts.

Problem/Challenge/Situation Faced by Locality

With the increased property values, County leaders were examining options to provide tax relief. While a rate reduction had been used in the past, Henrico County had a long history of not raising property tax rates. Leaders were concerned that a rate reduction must be sustainable in the long term, despite an uncertain financial landscape and the looming threat of recession. Leaders also

understood that a rate reduction would have long-term impacts on the County's fiscal sustainability should the real estate market decline significantly.

While researching options for tax relief, a staff attorney in the County Attorney's office found section 15.2-2511.1 of the Code of Virginia which allowed localities to refund surplus real property taxes to taxpayers. To date, this piece of legislation had not been utilized; however, Henrico County saw an opportunity to provide meaningful, one-time tax relief directly to taxpayers experiencing significant tax increases in uncertain economic times by combining a long-term rate reduction with a one-time rebate check.

The 2 + 2 program was the County's solution to the challenge of rising home prices in an uncertain economic environment. The rising home prices resulted in an unanticipated windfall in real estate tax revenue. The larger-than-planned surplus provided the basis for the combination of ongoing and one-time tax relief designed to balance long-term revenue needs with short-term financial relief and economic stimulus. County staff evaluated the long-term outlook for real estate and determined that a slightly reduced rate would continue to provide revenue stability, even if real estate values declined in the longer term. Residential growth and diverse commercial and industrial investments in the County provided a robust tax base that could sustain the County even in an economic downturn at the \$0.85/ \$100 rate. The tax relief credit portion of the program provided additional relief and economic stimulus back into the local economy.

How Program Fulfilled Awards Criteria

This program was a first of its kind, and as such, there was no developed process to send cash back to taxpayers from their county government. County staff created a plan for rebating surplus revenues, as the state code allowing for such a rebate did include specifics on how such a rebate should be accomplished. Staff was challenged to analyze and recommend the overall approach, draft applicable ordinances, notify the public, determine tax and administrative implications, set programmatic parameters, ensure sustainability, and coordinate the administrative details for a program that had never been done before — all within three short months from when the program was initially announced. Staff developed a model for this program that can be easily scaled and copied by other localities.

How Program Was Carried Out

Advertised as the “2 + 2 Tax Relief Plan”, an initiative to provide both long term and one-time tax relief to property owners struggling with surging property values was announced at the 2021 State of The County Address. The first “2” of the “2 + 2 Tax Relief Plan” involved reducing the real property tax rate by two cents- from \$0.87 cents per \$100 of assessed value to \$0.85 cents per \$100 of assessed value. Implemented after a public hearing with the adoption of the FY2022-2023 operating budget, this tax rate reduction provided ongoing, long-term tax relief. The estimated impact of forgone revenue to the county, based on 2023 assessments, was just under \$10,000,000.

The second part of the “2 + 2 Tax Relief” plan was much more complex, involving an actual check or credit being provided to every real property taxpayer in the county. County staff began meeting in January 2022 to begin framing up the execution of the process and identifying potential issues associated with this unique project. An interdepartmental team was created including staff from the County Attorney’s Office, and the Finance, Public Relations, and Information Technology departments.

The program would be referred to as a “credit” rather than a “refund”, as the intent was to provide tax relief for the increasing property values of 2022, not a refund from the taxes paid in the past, even though a past surplus would be the source of the funds. The credit would be calculated as \$0.02 per \$100 of the newly certified 2022 assessed values, lending further credence to the idea of a future-looking credit rather than a backward-looking refund. This was an important distinction to make and impacted the decision on who would ultimately receive the payments/credits. Because the program was forward looking, a participation date of February 1 was set. The participation date established that the owner of record, and existing parcels as of that date, would be the basis for the credit distribution. In other words, those who sold their Henrico property on or before January 31 would not receive the payment/credit, and the subsequent owner would be the recipient.

Specific parameters for the administration of the program had to be set. Many residential taxpayers held mortgages, and therefore their taxes were paid from escrow accounts. Providing the credit by applying a payment or discount to real estate tax bills would not have been visible to most taxpayers, nor would it have provided the economic stimulus desired. For this reason,

County leadership opted to give the credits as checks made payable to current owners above a specific threshold.

Staff pointed out that some lower value properties would have minimal credit amounts. Not wanting the program to cause significant administrative burdens, the staff proposed that credits of less than \$50 would be applied directly to the taxpayer's account, rather than mailed out in a check. This amount was later reduced to \$30 by the Board of Supervisors in an amendment to the ordinance, under the argument that, at the time, a \$30 check would buy a tank of gas and provide direct benefits to lower income and lower net worth taxpayers, while still balancing the administrative burden for smaller checks.

Delinquent, exempt, and reduced-rate taxpayers posed additional challenges to contend with in the program. Staff decided that, regardless of the amount of the credit, taxpayers with outstanding balances would have the credit applied toward their account, rather than providing a check to a taxpayer who owed the county money. Exempt taxpayers, such as 501(c)3 organizations or disabled veterans, would not be eligible for a credit, because they pay no tax. Likewise, those participating in the county's Real Estate Advantage Program (REAP), which provided reduced or no tax burdens to low-income elderly and disabled residents, would not be eligible for the credit as they already received \$11 million in tax relief. The Henrico County Board of Supervisors had expanded the REAP program for fiscal 2022-23 to allow residents with a maximum net worth of \$500,000 to qualify, up from \$400,000.

Working back from the County Manager's desired timeframe to provide payments with the announcement of the FY2022-2023 Proposed Operating Budget on March 8, 2022, staff developed the following timeframe for the project:

1/22/22: Presentation of the Project details at a Board of Supervisors retreat

1/25/22: Introduction of the Ordinance to provide for the Tax Relief Credit

2/1/22: Participation Date; ownership changes beyond this date were put on hold until after the data file was pulled.

2/1 - 2/18: Staff processed any ownership or parcel changes effective prior to February 1.

2/18/22: Parcel & ownership data downloaded from the system

2/18 - 2/25: Staff to perform quality control, and internal testing on payment data file

- 2/22/22: Public Hearing on proposed Tax Relief Credit Ordinance
- 2/25/22: Check file sent to third party check processor
- 3/4/22: Tax Credit check mailing date

A participation date of February 1, 2022 was specified to be the date at which ownership would be established for purposes of the credit. Property owners of record as of this date would receive the credit. Additionally, February 1 would be the date by which property owners would have to be current in the payment of their taxes in order to directly receive a check.

Code of Virginia 15.2-2511.1 specified that “Any locality may by ordinance develop a method for returning surplus real property tax revenues to taxpayers who are assessed such taxes in any fiscal year in which the locality reports a surplus. The locality may reduce a taxpayer's refund by the amount of any taxes, penalties, and interest due from such taxpayer, or any past-due taxes, penalties, and interest that have been assessed within the appropriate period of limitations.”

The County had a real estate tax surplus in the prior fiscal year of \$9.8 million, which met the legislative criteria and provided the funds to support the 2-cent credit.

Financing and Staffing

The program's operating costs included printing and postage for postcards distributed to all County property owners explaining the tax relief credit program and alerting them to checks which would be forthcoming in the mail. Other direct costs included charges from the county's third-party check printer for printing and mailing the actual checks. The total cost of the credit portion of the “2 + 2 Tax Relief Plan” was \$9,817,121.19. Administrative costs represented \$166,934.79 of this total. The total tax relief plan, including an estimated \$9,650,000 in forgone revenue, was \$19.5 million.

Program Results

The 2+2 Tax Relief plan put \$9.8 million back into the hands of property owners at a time when inflation was starting to impact households, particularly the price of gasoline. County staff issued 89,178 checks to property owners, applied credits (under \$30) to 16,009 accounts, and notified residents of the program by mailing 98,086 postcards. Henrico County is committed financial stewardship in both the inflows and outflows of taxpayers' resources. In describing the 2 + 2

Program, County Manager John Vithoukas stated, “This is not the county’s money. We did not anticipate it or budget it. It belongs to our taxpayers. Our supervisors want to return this money – every single penny – to its rightful owners, the taxpayers of Henrico County.”

Brief Summary

With rapid rising inflation and economic uncertainty of home prices in 2021, Henrico County leaders developed a two-part real estate tax relief plan that reduced the real estate rate and provided an innovative one-time credit to taxpayers to offset increasing assessment values. The “2 + 2 Tax Relief Plan” combined two unique approaches to tax relief which maintained long-term financial stability and provided economic stimulus. The reduction in the tax rate provided long-term relief, but not to the extent of jeopardizing the County’s largest source of revenue in the event of a future economic downturn. At the same time, a first-of-its-kind, one-time credit payment made possible by recent state legislation supplied immediate cash to taxpayers. Checks were sent to owners of record as of February 1, 2022.

County staff met regularly to ensure good communication with residents, address issues as they arose, and ensure the approach was sustainable and aligned with sound operating practices. Ultimately County taxpayers experiencing mounting economic challenges were given back resources in a new and innovative way.