Retirement and Real Estate Taxes

Summary

Although the real property tax rate has remained close to 1.0 percent over the past few years, rising assessments since 2010 have increased most residents' tax bills. We evaluate the impact of rising assessments on retired Arlington residents, who may be particularly affected by these increases because they no longer work and typically have incomes significantly lower than the county median. To understand how much continued assessment increases will affect retirees, possibly in response to new policy initiatives such as Missing Middle upzoning, we take a close look at how recent historical price increases have affected their tax liabilities since 2010. In 2016 and 2017, the Real Estate Tax Relief Working Group recommended a program of tax deferrals and exemptions to address this issue. To evaluate the continued and expanded demand for this type of tax relief and to evaluate the impact of rising assessments of retirees who do not qualify for tax relief, we examine more recent data on how rising assessments have impacted Arlington's retirees.

For owner-occupied[1] single-family detached homes, townhouses, and duplexes that are more than 30-years old and have not had a sale in more than 20, we find that:

- The average property tax bill, excluding tax relief, has increased by $3,079 ($1,216 adjusted for inflation) since 2010 because of assessment increases.[2]
- The smallest increases are in some of the highest-value neighborhoods such as Old Glebe, Chain Bridge Road, Gulf Branch, Maywood, and Woodmont.
- Real estate tax increases due to rising assessments are likely regressive. As income increases, the assessed tax increases decrease as a percentage of that income;
- The effects are not concentrated among any particular racial group;
- The areas of Arlington with the largest population of retirees affected by assessment increases are in the areas around Columbia Forest, Green Valley, Arlington Mill, Penrose / Foxcroft Heights, East Falls Church, Lyon Park, Ashton Heights, Douglass Park, Aurora Highlands, and Cherrydale.

Although we identify some of the areas with the largest concentration of retirees who were affected by assessment increases from 2010 to 2022, there are people in other areas of the county that we didn't explicitly identify who are affected in smaller numbers. Moreover, there are many residents who are likely to retire in the near future who could be similarly affected by anticipated future assessment increases.

[1] Although we focus on owner-occupied residences, higher assessment increases may be passed along to seniors renting their properties. Recent research (Rolheiser, 2019) has found that, in the case of commercial properties, property tax increases are largely passed along to renters.

[2] In this case, we focus on the increase in the real estate levy from property value increases, not tax rate increases. Therefore, for this analysis, we compute real estate tax liabilities at 1.013 cents per dollar of assessed value in order to isolate the effects of assessment increases.

Data

To conduct this analysis, we build a database of single-family residences including detached residences, townhouses, and duplexes.[3] We include properties built in 1991 or earlier, do not show a sale since 2001, and are owner-occupied. We select these properties because they are likely home to Arlington residents who are in or near retirement.[4]

We use open data from Arlington to create a combined database with assessments, properties, civic associations, rental status, and property sale histories. We combine this data with information from the U.S. Census on income (Table B19), retirement income (Table DP03), and Social Security Old-Age and Survivors Insurance (OASI) benefits (Table DP03). Whenever we report inflation adjusted statistics, we compute them using the Consumer Price Index for All Urban Consumers.

Tax Increases by Civic Association

In Table 1, we show the effects of assessment increases between 2010 and 2022 for the aforementioned sample of residences. The first column shows the civic association; the second column shows the number of properties in our sample of owner-occupied, 30-year-old houses that have not been sold in 20-years. The third column shows the yearly average assessment increase for these properties. The fourth column shows the average increase in real estate taxes at a 1.013 percent rate, the value of which is inflation-adjusted in the fifth column. The civic and citizens associations are sorted by the inflation-adjusted real estate tax increase.

The largest increases are in Lyon Village, in which real estate assessment growth caused real estate taxes to grow by $5,335, or $2,671 in inflation-adjusted dollars. The average yearly assessment growth exceeded 4 percent, driven almost entirely by increases in land value.

Assessment-driven real estate tax growth is not a feature of any particular geographic area. Ashton Heights ($1,865 increase in inflation-adjusted dollars), Lyon Park ($1,756), and Lyon Village are adjacent to the fast-growing Orange Line corridor. Aurora Highlands ($1,842) encompasses the Pentagon City and National Landing Area. Green Valley ($1,551) is in the I-395 corridor. Waverly Hills ($1,553) is adjacent to the Langston Boulevard corridor.

Nonetheless, a preponderance of the areas home to the lowest growth in assessments are those in the far north, near Chain Bridge. Arlingwood ($877), Stafford-Albemarle-Glebe ($833), Old Glebe ($219), and Chain Bridge Forest (-$1,396) are among the areas in which retired Arlington residents are least affected by real estate assessment growth.

[3] In the Arlington county's properties open-data repository, we include properties that are classified with codes 511 through 515, which includes detached single-family homes (both condo and fee-simple own), townhouses, duplexes, and side-by-sides. Other condominium properties such as high-rise, mid-rise, garden, stacked, and commercial condos are not included in this analysis.

[4] We conducted the same analysis under several other specifications. In some, we limited the analysis to detached single-family homes (511). In others, we limited the analysis to properties that have not been sold since 1991. We found comparable results under all of these specifications.

Table 1: Property Tax Increases from Assessment Growth

Association	Number of Properties	Average Yearly Assessment Increase	Real Estate Tax Increase	Inflation-Adjusted Real Estate Tax Increase
All	*6567*	*3.49%*	*$3,079*	*$1,216*
Lyon Village	156	4.08%	$5,335	$2,671
Ashton Heights	205	3.81%	$3,938	$1,865
Aurora Highlands	127	4.07%	$3,561	$1,842
Forest Glen	23	4.69%	$3,077	$1,836
Lyon Park	208	3.72%	$3,807	$1,756
Arlington View	50	4.77%	$2,868	$1,735
Riverwood	14	3.18%	$4,730	$1,650
Waverly Hills	118	3.69%	$3,422	$1,553
Green Valley	159	5.07%	$2,521	$1,551
Cherry Valley Nature Area	11	3.56%	$3,549	$1,523
Clarendon - Courthouse	25	3.50%	$3,589	$1,504
Douglas Park	231	4.27%	$2,775	$1,503
Barcroft	160	3.86%	$2,987	$1,458
Cherrydale	164	3.48%	$3,422	$1,404
Penrose	136	3.99%	$2,753	$1,377
Rock Spring	216	3.36%	$3,516	$1,350
North Highlands	27	3.83%	$2,835	$1,349
Arlington Ridge	249	3.39%	$3,339	$1,305
Williamsburg	198	3.42%	$3,264	$1,278
Highland Park - Overlee Knolls	140	3.44%	$3,137	$1,271
Madison Manor	127	3.43%	$3,089	$1,244
Yorktown	221	3.37%	$3,283	$1,233
Arlington Heights	151	3.78%	$2,666	$1,228
Leeway Overlee	176	3.40%	$3,136	$1,220
Bluemont	369	3.48%	$2,938	$1,214
Arlington Mill	86	4.92%	$1,982	$1,214
Tara - Leeway Heights	204	3.30%	$3,234	$1,200
Westover Village	92	3.44%	$2,883	$1,182
John M Langston	88	3.62%	$2,656	$1,177
Bellevue Forest	104	3.07%	$3,719	$1,162
Columbia Forest	115	4.06%	$2,267	$1,152
Waycroft - Woodlawn	115	3.26%	$3,040	$1,130
Alcova Heights	96	3.52%	$2,596	$1,072
Boulevard Manor	85	3.28%	$2,800	$1,054
Columbia Heights	15	3.55%	$2,450	$1,053
Old Dominion	97	3.17%	$3,104	$1,046
Glencarlyn	127	3.42%	$2,477	$1,007
Dover Crystal	74	2.96%	$3,519	$992
Claremont	108	3.51%	$2,308	$972
Rivercrest	26	2.92%	$3,386	$964
Arlington - East Falls Church	303	3.15%	$2,865	$950
Arlington Forest	229	3.18%	$2,656	$946
Arlingwood	12	2.89%	$3,516	$877
Ballston - Virginia Square	108	3.08%	$2,692	$857
Stafford-Albemarle-Glebe	77	2.88%	$3,113	$833
Dominion Hills	156	3.01%	$2,611	$798
Donaldson Run	181	2.80%	$3,060	$716
Woodmont	46	2.73%	$3,203	$633
Gulf Branch	25	2.67%	$3,119	$521
Maywood	50	2.63%	$2,582	$466
Glebewood	31	2.72%	$1,874	$408
Old Glebe	99	2.41%	$2,843	$219
None	80	2.05%	$2,796	-$638
Chain Bridge Forest	24	1.34%	$1,830	-$1,396

Tax Increases by Income and Race

We perform an analysis by comparing the increase in taxes against race and income. Using data from the 2020 American Community Survey published by the U.S. Census, we find almost no correlation between the share of a census block group identified as Black, Hispanic, or any person of color and the increase in the real estate taxes from assessment growth.

We also evaluate the effects by area average retirement income. Overall, we find a very low correlation between retirement income and real estate tax increases due to assessment growth. This means that the increase in tax is similar regardless of income, which strongly suggests that the tax increases are regressive. The tax increase—before any relief programs are applied—takes up a smaller share of average income as average income increases. This means that the burden of the assessment increases decreases as income increases.

Using data on retirement income, OASI benefits, and the number of people who qualify, we locate places with larger concentrations of retired households whose finances are currently or likely to be disproportionately affected by increases in real estate assessments.

In Figure 1, we show the areas that are most affected by residential assessment growth. We select these areas with a large number of older, owner-occupied houses that are likely home to retirees. To confirm that a large number of retirees live in these houses, we limit ourselves to areas with large numbers of OASI beneficiaries as well. Specifically, the dark blue areas represent census tracts with:

- More than 100 detached single-family homes, duplexes, side-by-sides, or townhomes that are owner-occupied, over 30-years old, and have not been sold in over 20 years.
- More than 100 OASI beneficiaries.
- Growth in inflation-adjusted real estate tax from assessment increases that exceeds 2 percent of the area's average retirement income.

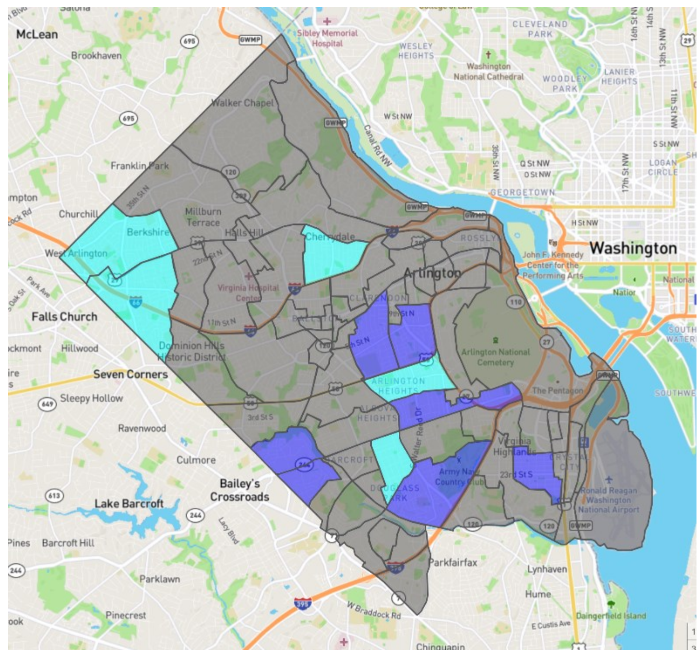

Figure 1: Dark blue census tracts are areas with at least 100 residences, 100 recipients of OASI benefits, and an inflation-adjusted increase in real estate taxes from increased assessments that exceed 2 percent of gross retirement income. Light blue census tracts are areas with the same criteria, except that real estate taxes from increased assessments were greater than 1.5 percent of gross retirement income.

The light blue areas meet the same criteria, except that inflation-adjusted real estate tax growth from assessment increases is between 1.5 percent and 2.0 percent of the area's average retirement income.

The west end of Columbia Pike has shown some of the largest increases in real estate tax (excluding exemptions) anywhere in the county. Areas of Columbia Forest and Arlington Mill have inflation-adjusted increases in the real estate tax of 4.0 and 3.0 percent of average gross (pre-tax) retirement income, respectively. Green Valley, in which a large number of retirees reside, has also seen above-average assessment increases. Real estate tax growth due to assessment increases has also gone up nearly 3.8 percent since 2010 as a share of average retirement income. Penrose / Foxcroft Heights (2.0 percent) and Aurora Highlands (2.1 percent) round out the areas south of Route 50 that have greater than 2 percent increases.

These increases in real estate taxes represent large changes to household retirement income, which may be fixed. Although OASI benefits grow with inflation, other retirement income may not grow with inflation. In this case, the effects of real estate tax increases on the household budget may be significantly higher than the numbers cited above.

There are numerous areas north of Route 50 that also meet these criteria. Ashton Heights (2.7 percent) and Lyon Park (2.4 percent) have also seen a high level of growth which affects its residents' tax assessments; Lyon Park (2.4 percent). Ashton Heights, in particular, has a fairly large number of likely retirees: Almost 300 houses fit these criteria, and the U.S. Census estimates that more than 200 households collect old-age Social Security benefits.

Other areas where the increase in real estate taxes is slightly lower but the inflation-adjusted increase still exceeds 1.5 percent of tract average retirement income are parts of Cherrydale (1.5 percent), Douglass Park (1.9 percent), and East Falls Church (two tracts with 1.6 and 1.8 percent).

Conclusion

Arlington has gone through a rapid increase in development, which has made residential land far more valuable. These land prices are reflected in higher assessments, which mean higher real estate taxes. We evaluate the effect of these taxes on retired Arlington residents before any tax relief programs are applied. We find that the tax increases are likely regressive; the increase in taxes affects people similarly regardless of average area income. Nonetheless, we do not find evidence that these increases disproportionately affect different racial groups or geographic areas in the county.

Notes and Acknowledgments

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For additional tools, data, and analysis, please visit our site at https://www.arlington-analytics.com/.

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