

## HJ674 Study

### Case Study:

# Costs for Military Retirees to Reside in Four Different States

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- *Current DOD actuarial data, as well as circumstantial observations of DVS staff in our service lines assisting veterans and retirees with transition, employment, VA benefits and more, show that retirees are staying in Virginia. The hypothesis is that this is for economic, education and other opportunities that outweigh any lower cost of living and tax advantages promised by other states.*
- **Study Parameters: Research two typical Virginia separating service members about to retire. What are the annual costs associated with moving to each state? What are the tax advantages?**
  - A retired officer with 40 years of service and \$189,000 annual retirement pay
  - A retired enlistee with 24 years of service and \$47,200 annual retirement pay
- **Scenario for each retiree:**
  - Similar job offers for \$100,000 annual salary in Alexandria, VA; Houston, TX; Jacksonville, FL; and Raleigh-Durham, NC
  - Retiree has a spouse and at least one child in or about to begin college, and will purchase a house, and a new car.

➤ *For the raw data behind this case study please see corresponding Appendix A: Case Study Excel Spreadsheet*

Although real property taxes and fees on comparable homes are generally higher in Virginia, taxes and fees paid as a percentage of home value are lowest in Virginia.

### Retired Officer – More Expensive Home Purchase and 90% Disability Rating

<u>City</u>	<u>Value</u>	<u>Property Taxes and Fees</u>	<u>Percentage of Home Value</u>
Alexandria, VA	\$1,000,000	\$11,907	1.19%
Houston, TX <sup>1</sup>	\$625,000	\$11,659	1.87%
Jacksonville, FL	\$450,000	\$7,488	1.66%
Raleigh, NC	\$500,000	\$6,048	1.21%

### Retired Enlistee – More Expensive Home Purchase and 90% Disability Rating

<u>City</u>	<u>Value</u>	<u>Property Taxes and Fees</u>	<u>Percentage of Home Value</u>
Alexandria, VA	\$625,000	\$7,576	1.21%
Houston, TX <sup>2</sup>	\$300,000	\$7,156	2.39%
Jacksonville, FL	\$300,000	\$4,785	1.59%
Raleigh, NC	\$325,000	\$4,020	1.24%

### Retired Officer – Less Expensive Home Purchase and 50% Disability Rating

<u>City</u>	<u>Value</u>	<u>Property Taxes and Fees</u>	<u>Percentage of Home Value</u>
Alexandria, VA	\$625,000	\$7,576	1.21%
Houston, TX <sup>2</sup>	\$300,000	\$7,156	2.39%
Jacksonville, FL	\$300,000	\$4,785	1.59%
Raleigh, NC	\$325,000	\$4,020	1.24%

### Retired Enlistee – Less Expensive Home Purchase and 50% Disability Rating

<u>City</u>	<u>Value</u>	<u>Property Taxes and Fees</u>	<u>Percentage of Home Value</u>
Alexandria, VA	\$500,000	\$6,163	1.23%
Houston, TX <sup>3</sup>	\$250,000	\$5,528	2.21%
Jacksonville, FL	\$250,000	\$3,884	1.55%
Raleigh, NC	\$275,000	\$3,440	1.25%

Note: All numbers are rounded to the nearest dollar value.

See appendix for methodology and sources..

<sup>1</sup> Estimates based on residence in Bellaire; <sup>2</sup> Estimates based on residence in Nassau Bay; <sup>3</sup> Estimates based on residence in Pasadena

Sales tax payments are significantly lower in Virginia. Initial vehicle taxes and fees are lower in Houston and Raleigh.

**Sales Taxes: Retired Officer (\$289,000 income)**

<u>City</u>	<u>General Sales</u>	<u>Groceries</u>	<u>Meals</u>	<u>Total</u>
Alexandria, VA	\$3,412	\$191	\$434	\$4,037
Houston, TX	\$8,940	Exempt	\$0	\$8,940
Jacksonville, FL	\$7,450	Exempt	\$0	\$7,450
Raleigh, NC	\$6,653	Exempt	\$87	\$6,740

**Sales Taxes: Retired Enlistee (\$147,000 income)**

<u>City</u>	<u>General Sales</u>	<u>Groceries</u>	<u>Meals</u>	<u>Total</u>
Alexandria, VA	\$1,734	\$150	\$246	\$2,130
Houston, TX	\$4,544	Exempt	\$0	\$4,544
Jacksonville, FL	\$3,787	Exempt	\$0	\$3,787
Raleigh, NC	\$3,382	Exempt	\$49	\$3,431

Note: All numbers are rounded to the nearest dollar value.  
See appendix for methodology and sources.

Since Virginia collects a larger portion revenue from the individual income tax than many states, it requires the highest income tax payment.

### Income Taxes – Retired Officer

<u>City</u>	<u>Income Taxes Paid*</u>
Alexandria, VA	\$16,395
Houston, TX	\$0
Jacksonville, FL	\$0
Raleigh, NC	\$5,250

### Income Taxes – Retired Enlistee

<u>City</u>	<u>Income Taxes Paid*</u>
Alexandria, VA	\$8,207
Houston, TX	\$0
Jacksonville, FL	\$0
Raleigh, NC	\$7,518

In North Carolina, the retired officer qualifies for a full military retirement pay tax exemption, resulting in a lower income tax paid than the retired enlistee (who qualifies for a \$4,000 exemption).

\*Assumes all income is taxable (no deductions or non-veteran exemptions).

Note: All numbers are rounded to the nearest dollar value.

If the retired officer or enlistee has a 90% disability rating or higher, the retiree's child qualifies for a tuition and fee waiver in Virginia. In Virginia, personal property tax exemptions (partial or full) are not statewide, but dependent on the locality.

### Average College Tuition and Fees at Public Four-Year Institutions (2018-19)

<u>City</u>	<u>90% Disability Rating</u>	<u>50% Disability Rating</u>
Alexandria, VA	\$0	\$13,490
Houston, TX	\$10,300	\$10,300
Jacksonville, FL	\$6,360	\$6,360
Raleigh, NC	\$7,220	\$7,220

### Vehicle Purchase – 2019 Toyota Camry (\$24,095 MSRP)

<u>City</u>	<u>Sales Tax</u>	<u>Property Tax</u>	<u>Registration, Title, and License Plates</u>	<u>Fuel Tax</u>	<u>Total</u>
Alexandria, VA	\$1,000	\$831	\$66	\$101	\$1,998
Houston, TX	\$1,506	\$0	\$113	\$83	\$1,702
Jacksonville, FL	\$1,687	\$0	\$353	\$130	\$2,169
Raleigh, NC	\$723	\$279	\$138	\$150	\$1,291

## Methodology: Real Property Taxes and Fees

- **Home Value**
  - Assumes that purchase price and home value are equal.
  - Prices are based on data from Zillow and the National Association of Realtors, using comparable homes with approximately 2,500 square feet, four bedrooms, and three bathrooms.
- **Property Taxes and Fees**
  - The real property tax rate for Alexandria is \$1.13 per \$100.
  - The real property tax rates for Houston vary by municipality. A 90% disabled veteran receives a \$12,000 exemption and a 50% disabled veteran receives a \$10,000 exemption. Residents also receive exemptions for county taxes, school district taxes, and city taxes, which vary by municipality.
  - The real property tax rate for Jacksonville is about \$1.80 per \$100. A 90% and 50% disabled veteran receive a \$5,000 exemption. Residents also receive a homestead exemption of \$50,000, including a \$25,000 exemption on non-school district taxes.
  - The real property tax rate for Raleigh is about \$1.16 per \$100.
  - Fees include storm water, refuse/waste disposal, and recycling.

## **Methodology: Real Property Taxes and Fees**

- **Sources:** Zillow, National Association of Realtors, City of Alexandria, Harris County Tax Assessor-Collector and Voter Registrar, Duval County Property Appraiser, Wake County Tax Administration, TexVet, Florida Department of Revenue, City of Houston, Bellaire Texas Code of Ordinances, City of Nassau Bay, Pasadena Texas Code of Ordinances, City of Jacksonville and Duval County, and City of Raleigh
- Figures are based on the most recent county/city data provided as of July 2019.



## Methodology: Sales Taxes

- **General Sales:** Each state's general sales taxes paid (from U.S. Census Bureau, 2016 Annual Surveys of State and Local Government Finances) as a percentage of per capita personal income (based on figures from U.S. Census Bureau, 2016 Annual Surveys of State and Local Government Finances and the Bureau of Economic Analysis) is applied to the retiree's total retirement income and salary (assumes all income comes from these two sources). Estimates are based on median values; most individuals with higher incomes pay a smaller percentage of income in sales taxes than those with lower incomes.
- **Groceries and Meals Taxes:** Groceries and meals expenditures privy to taxes are based on food at home and food away from home figures from the Consumer Expenditure Survey, U.S. Bureau of Labor Statistics, September 2018. Virginia imposes a 2.5% groceries tax; Alexandria (5%) and Raleigh (1%) levy meals taxes. Other sources: Tax Foundation, City of Alexandria, and Wake County Tax Administration

## Methodology: Vehicle Taxes and Fees

- Vehicle taxes are \$5.33 per \$100 in Alexandria. Cars valued between \$20,001 and \$25,000 received maximum tax relief of \$453.05. Vehicle taxes are about \$1.16 per \$100 in Raleigh. Additional tax and fee information was collected from the following sources: Virginia, Texas, and North Carolina Departments of Motor Vehicles; Florida Department of Highway Safety and Motor Vehicles; City of Alexandria; Harris County Tax Office; Texas Comptroller of Public Accounts; Florida and North Carolina Departments of Revenue; Wake County Tax Administration; and Tax Foundation.
- Fuel tax payments are based on estimated miles driven per year and state/local gasoline tax rates. Miles driven are estimated using average annual miles per driver by age group figures from the U.S. Department of Transportation, Federal Highway Administration. This figure is applied to the state/local gasoline tax rate. Virginia charges a \$0.162 mile per gallon fuel excise tax as well as a \$0.006 per gallon petroleum tank storage fee and a wholesale tax in Northern Virginia of \$0.076 per gallon, which are assumed to be passed along to consumers. Texas charges a state excise tax of \$0.20 per gallon. Florida charges a \$0.04 per gallon excise tax and a total imposed tax of \$0.31425 per gallon in Duval County. North Carolina charges a \$0.362 per gallon excise tax and a \$0.0025 per gallon inspection tax for a total tax of \$0.3645 per gallon. Sources: America Petroleum Institute State Motor Fuel Taxes, Virginia Department of Motor Vehicles, Texas Comptroller of Public Accounts, Florida Department of Revenue, and North Carolina Department of Revenue