

CAN TAXES BE A BLESSING FOR RA?

By William Nicoson

When is a tax a blessing? Some will always say: "Never!" Others will say: "When a tax replaces a more expensive generator of revenue."

The Reston Association's Special Committee on Governing Documents Review wisely chose to defer close consideration of the creation of a tax district to replace most of RA's assessment. The Special Committee is considering a large number of useful changes to the RA Deed, Articles of Incorporation and Bylaws, and should complete its work speedily. The tax district proposal is complex and controversial. It deserves consideration by another special committee created to review RA's revenue sources.

The new committee would study the creation of a tax district by the Fairfax County Board of Supervisors under a Memorandum of Understanding with RA specifying that the District would assume ownership of RA properties during a specified long-term contract under which RA would be hired to manage and preserve those properties precisely as it does today. RA's operations, its board and its staff would remain unchanged. A referendum of RA members would be required.

A preference poll of district property owners (both residential and nonresidential) would advise the Board of Supervisors in selection of members of the tax district board.

Most of RA's activities would then be funded from district revenues under the contract. Only the activities of the Design Review Board and Covenants Committee, based on advice of counsel, would continue to be funded by assessment. Funding of these activities constitutes less than 10% of RA's budget.

The shift from assessment to district tax would reduce RA's residential funding burden by more than 50%. This results from the fact that commercial properties would contribute to RA's funding and that the tax, unlike the assessment, would be deductible for purposes of federal income taxes.

Because the real estate tax is based on property value (*ad valorem*), the savings in substituting tax for assessment would benefit owners of lesser valued property more than owners of higher valued property. But only owners of residential properties valued at more than \$600,000 would pay more in taxes than they pay now by assessment. All others would pay less, and many would pay much less.

The property taxes on Reston businesses would rise by about 7% if the proposed RA tax district is created. The mission of RA has always benefitted Reston businesses. Executives understand that community values assist employee recruiting. Nonresident executives and employees have been free to enjoy Reston's walkways and natural beauty without contributing to their upkeep

throughout the 35 years of Reston's existence. It would be in the best tradition of business to pay willingly for benefits conferred and appreciated.

Such a result would also be in the best tradition of other planned communities – Columbia, Maryland, comes to mind – where residents and businesses alike have financed management of common lands and facilities.

It's important to note that a tax district in the form suggested here is a financing mechanism only, rather than a form of governance as in the case of Reston Community Center. The proposed RA district would not preclude creation of a town or city nor undertake operations ordinarily performed by a town or city. The sole duty of the District would be to monitor performance of the long-term contract with RA and assure distribution of tax revenue collected by the County to RA under that contract.

When is a tax a blessing? When it replaces an assessment that's twice as expensive as the tax.

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