

DEPARTMENT OF TAXATION

2002 Fiscal Impact Statement

1. **Patron** Cole

3. **Committee** Passed House and Senate

4. **Title** Real Property Tax: Restrictions on Partial Exemptions and Deferrals

2. **Bill Number** HB 208

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. Summary/Purpose:

This bill would increase from \$6,500 to \$8,500 the amount of excludable income attributed to each relative living with an owner of a dwelling who is not a spouse in calculating the total combined income for purposes of qualifying for a partial exemption or deferral of the local real property tax.

The effective date of this bill is not specified.

6. Fiscal Impact Estimates are: Unknown (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill would have no impact on state revenues. It has a potential negative revenue impact on those localities that have enacted an exemption or deferral program based upon income as authorized in Code of Virginia § 58.1-3211, as more property may become eligible for exemption or deferral of taxes. For this reason, the fiscal impact would vary greatly among localities. The \$6,500 dollar limit has not been changed since 1987. While the consumer price index has increased 100.6 percent during this period, the amount of the excludable income proposed in this bill represents a 30.8 percent increase over the same time period.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: None.

11. Other comments:

The exemption/deferral programs for the elderly and handicapped provide tax relief for persons sixty-five years of age and older and for those who are permanently and totally disabled. At local option, localities may elect to adopt an exemption program, a deferral program, a combination of both, or neither.

Income and net financial worth tests were incorporated in the exemption/deferral program to direct tax relief to those whose income and financial worth were sufficiently low to merit such relief. This bill would raise the maximum income limit for each relative living with the owner of the property who is not a spouse that may be excluded from the total combined income limitation.

House Bill 853 and Senate Bill 544 would increase from one acre to a maximum of 25 non-income producing acres, the value of real estate that shall be excluded in determining the combined financial worth limitation for an exemption or deferral of real property taxes in the Eighth Planning District (Northern Virginia).

cc: Secretary of Finance

Date: 2/14/02/SLR

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