DEPARTMENT OF TAXATION
2004 Fiscal Impact Statement

1. **Patron** Mark L. Cole

2. **Bill Number** HB 94

   House of Origin:

   _____ **Introduced**

   _____ **Substitute**

   _____ **Engrossed**

   Second House:

   _____ **In Committee**

   _____ **Substitute**

   __X__ **Enrolled**

3. **Committee** Passed House and Senate

4. **Title** Real Property Tax: Exemptions for Elderly or Disabled

5. **Summary/Purpose:**

   This bill modifies the income and net worth limitations for determining whether persons sixty-five years or older, or those who are permanently and totally disabled, qualify for the exemption or deferral of local real property taxes. This bill increases the net worth limitation for determining whether these persons qualify from $100,000 to $200,000 and increases the amount of income that may be excluded in determining the total combined income limitation from $7,500 to $10,000.

   In addition, this bill increases the amount of income of a non-spouse relative living in the dwelling that may be excluded in determining the total combined income limitation from $8,500 to $10,000. Finally, this bill increases the amount of assets from $5,000 to $10,000 that a taxpayer can transfer to a relative who lives with and provides care to the taxpayer without the relative's income being counted towards the taxpayer's income limit.

   The effective date of this bill is not specified.

6. **No Fiscal Impact**

7. **Budget amendment necessary:** No.

8. **Fiscal implications:**

   This bill has 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 the income limitations as set forth in the statute, as more property may become eligible for exemption or deferral of taxes. For this reason, the fiscal impact of this bill would vary among localities.

9. **Specific agency or political subdivisions affected:**

   All localities.

10. Technical amendment necessary: No.

11. Other comments:

The exemption/deferral programs for the elderly or handicapped provide tax relief for persons sixty-five years of age or 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 none of the above. Income and net financial worth tests were incorporated in the exemption/deferral programs to direct tax relief to those whose income and financial worth were sufficiently low to merit such relief.

This bill increases the maximum combined net worth limitation of the owner and spouse from $100,000 to $200,000 and makes two changes in determining the total combined income limitation: it increases the amount of income that may be excluded from $7,500 to $10,000 and increases the amount of income of a non-spouse relative living in the dwelling that may be excluded from $8,500 to $10,000.

Finally, under the current law, if a taxpayer who qualifies for the exemption or deferral can prove that his or her health has deteriorated to the point that the only alternative to permanently residing in a facility for physical or mental care is to have a relative move in and provide care, then none of the income of the relative or of the relative's spouse is counted towards the taxpayer's income limit, provided that the taxpayer has not transferred assets in excess of $5,000 without consideration within a three-year period prior to or after the relative moves into the residence. This bill would increase that amount to $10,000.

Related Exemption/Deferral Program Bills

The following bill would also amend the income or the net financial worth limitations applicable to exemption/deferral programs for the elderly or handicapped.

HB 97 would increase the net worth limitation for determining whether taxpayers aged sixty-five years or older, or who are permanently and totally disabled, qualify for the exemption or deferral of real property taxes by increasing the number of acres excluded from the net worth calculation from 1 acre to 10 acres.

cc : Secretary of Finance