DEPARTMENT OF TAXATION
2005 Fiscal Impact Statement

1. Patron Ken T. Cuccinelli, IIII

2. Bill Number SB 851

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 Persons

5. Summary/Purpose:

This bill would modify the income limitations for determining whether persons who are sixty-five and older, or those who are permanently and totally disabled, qualify for the exemption or deferral of local property taxes. This bill would allow a locality to exclude up to $5,000 of any permanent or temporary disability benefit received by a taxpayer who is 65 or over or who is permanently or totally disabled. Currently, the statute allows a locality to exclude up to $10,000 of income for a taxpayer who is permanently disabled.

The effective date of this legislation is not specified.

6. No Fiscal Impact

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill will have no effect on state revenues. It has a potential negative impact on those localities that have enacted an exemption or deferral program for elderly and disabled persons based on the income limitations set forth in the statute, and who elect to exclude these types of disability payments. For this reason, the fiscal impact would vary among localities.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No.

11. Other comments:

The exemption and 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 and deferral programs to ensure that tax relief is directed at those whose income and net worth is sufficiently low to merit such relief.

This bill would give localities the option to exclude an additional category of income, up to $5,000 of permanent or temporary disability payments, when calculating if the elderly or disabled taxpayers meet the income requirements for real property tax deferrals or exemptions. Currently, localities can exclude up to $10,000 of income for taxpayers who are permanently disabled. The exclusion that would be allowed under this bill would be in addition to the current exclusion in making the determination regarding a taxpayer's qualification under the maximum gross income test.

Similar Legislation

Senate Bill 844 is identical to this bill.

Senate Bill 1051 would make changes related to eligibility criteria for localities offering real property tax exemptions or deferrals to elderly or disabled persons. This bill would give localities the option to use the median adjusted gross income for married persons in that locality as the household income limitation, and would allow localities to increase the maximum net worth limitation each year to account for inflation.

cc : Secretary of Finance

Date: 3/9/2005 SM
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