

DEPARTMENT OF TAXATION

2006 Fiscal Impact Statement

1. **Patron** Robert G. Marshall

2. **Bill Number** HB 121

3. **Committee** Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Real Property Tax Exemption;
Elderly and Disabled

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would make the following changes to the structure of the exemption and deferral programs that localities may offer to the elderly or handicapped:

- Add the cities of Norfolk and Richmond to the list of cities that are permitted to use \$200,000 as their maximum income amount in determining eligibility for the exemption and deferral programs and would increase that amount for all cities listed to \$350,000. It would also remove the counties of Fauquier and Stafford from that list; and
- Add the counties of Clarke, Fauquier, and Stafford to the cities, counties and towns in Northern Virginia that are permitted to use \$340,000 as their total combined income amount in determining eligibility for the exemption and deferral programs, and raise the amount to \$540,000 for those localities.
- Delineate, by name, the localities in Northern Virginia eligible to use the higher total combined income amount in determining eligibility for the exemption and deferral programs.

The effective date of this bill is not specified.

6. **No Fiscal Impact**

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

8. **Fiscal implications:**

This bill is not expected to have any impact on state revenues. It has a potential negative revenue impact on the applicable localities, if those localities use the authority granted by this bill to increase their maximum financial worth cap, as more taxpayers may qualify for the exemption/deferral programs. TAX will incur no administrative costs in implementing this bill.

9. Specific agency or political subdivisions affected:

Cities of: Alexandria, Fairfax, Falls Church, Manassas, Manassas Park, Norfolk and Richmond

Counties of: Arlington, Clarke, Fairfax, Fauquier, Loudoun, Prince William, and Stafford

Towns of: Dumfries, Herndon, Leesburg, Purcellville, and Vienna.

10. Technical amendment necessary: No.

11. Other comments:

Generally

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. The governing body of any locality may elect to adopt an exemption program, a deferral program, a combination of both, or none of the above. Income and net financial worth restrictions were incorporated in the exemption/deferral programs to direct tax relief to those whose incomes and financial worth were sufficiently low to merit such relief.

The state-wide limitations imposed upon the elderly or disabled to be eligible for the exemption or deferral is a net financial combined worth amount of \$200,000 and a maximum income of \$50,000.

Currently, certain localities in Northern Virginia are permitted to extend either the net financial worth cap or the income limitations. The cities of Charlottesville, Chesapeake, Portsmouth, Suffolk, and Virginia Beach and the Counties of Chesterfield, Goochland, Henrico, and Stafford are permitted to extend the income cap to \$52,000 and the net financial worth cap to \$200,000.

Various other localities are permitted to extend their net financial worth cap to \$340,000. Eligible localities include 1) any county that the United States Census Bureau has determined to have a population greater than 800,000 persons, 2) any county or city adjacent thereto, 3) any city contiguous to such adjacent counties and cities, and 4) any incorporated town located in the counties that possess a population greater than 800,000 or are contiguous to such a county. The eligible localities include the counties of Fairfax, Arlington, Loudon, and Prince William; the cities of Fairfax, Falls Church, Manassas, Manassas Park and Alexandria; and the towns of Dumfries, Herndon, Leesburg, Purcellville, and Vienna.

This Proposal

This bill would add the cities of Norfolk and Richmond to the list of cities that are permitted to extend their income limitations to \$52,000 and their net financial worth cap to \$200,000. In addition, this bill would remove the counties of Fauquier and Stafford from the list of counties permitted to make these limitation increases. This bill would also increase the net financial worth cap amount from its current \$200,000 cap to a \$350,000 cap for this group of cities.

In addition to making these changes, this bill would increase the net financial worth cap for certain localities in Northern Virginia from its current cap of \$340,000 to \$540,000. The localities that can currently increase their net financial worth caps to a maximum of \$340,000 include the counties of: Fairfax, Arlington, Loudon, and Prince William; the cities of Fairfax, Falls Church, Manassas, Manassas Park, and Alexandria, and the towns of Dumfries, Herndon, Leesburg, Purcellville, and Vienna.

In addition to the cap increase, this bill would strike the language describing those localities that are eligible to extend their net financial worth cap to \$340,000 by population bracket and explicitly delineate the localities that are eligible to make these increases. It would also add the counties of Clarke, Fauquier, and Stafford to the localities in Northern Virginia that are eligible to make this increase. Any incorporated town located in these counties would be eligible for the increased financial limits.

cc : Secretary of Finance

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