

DEPARTMENT OF TAXATION

2006 Fiscal Impact Statement

1. **Patron** Jennifer L. McClellan

2. **Bill Number** HB 540

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Real Property Taxes;
Exemption for Certain Elderly or Disabled
Persons

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would increase and make uniform statewide, the maximum income and net worth amounts that localities may use in providing real estate tax deferrals or exemptions for the elderly or disabled. This bill would result in the following changes:

- Increase on the annual income limitation from \$50,000 to \$75,000,
- Increase in net financial worth limitation from \$200,000 to \$350,000, and
- Increase in the acreage limitation on which the person's home is located that can be excluded in calculating net worth from 10 acres to 20 acres.

This bill contains an emergency clause and would become effective upon its passage.

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

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

8. **Fiscal implications:**

TAX will incur no administrative costs in implementing this bill.

This bill is not expected to have any impact on state revenues. It has a potential revenue impact on localities that have real estate tax deferral or exemption programs for the elderly or disabled, if those localities use the authority granted by this bill to increase the maximum income and net worth limitation amounts, as more taxpayers may qualify for the exemption or deferral programs.

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

All localities

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.

Current Law

Current law places certain state-wide restrictions on exemption and deferral programs enacted by counties, cities and towns. Combined income limitations placed on the elderly or handicapped in order to be entitled to exemption or deferral are currently capped at \$50,000 or the income limits based upon family size for the respective metropolitan statistical area, which are annually published by the Department of Housing and Urban Development. As an alternative, a county, city or town may provide that the total combined income received from all sources during the preceding calendar year are limited to the county's or city's median adjusted gross income of its married residents of the county or city for a taxable year as published by the Weldon Cooper Center for Public Service of the University of Virginia. The net combined financial worth limitation is currently capped at \$200,000, with an allowance for the local government to annually increase the net combined financial worth limit by an amount equivalent to the percentage increase in the Consumer Price Index for the 12-month period ending September 30 of the year immediately preceding the affected tax year. Finally, the maximum acreage ownership of the individual qualifying for the exemption is capped at 10 acres.

Certain expressly delineated cities and counties are permitted by ordinance to raise the income limitations for any exemption or deferral program to a maximum of either \$52,000 or the income limits for the respective metropolitan statistical area published annually by the Department of Housing and Urban Development, whichever amount is greater. The specified localities include the Cities of Charlottesville, Chesapeake, Portsmouth, Suffolk, and Virginia Beach and the Counties of Chesterfield, Fauquier, Goochland, Henrico, and Stafford. In addition, under current law, these localities are permitted to increase the net financial worth limitations to \$200,000.

Current law also permits any county with a population greater than 800,000 according to the 1990 United States Census, all those counties or cities adjacent thereto, and any town within those counties to increase their income limitations to a maximum of either \$72,000 or the income limits for the respective metropolitan statistical area published annually by the Department of Housing and Urban Development, whichever amount is greater. In addition, localities meeting these requirements are authorized to increase the net financial worth limitations to \$340,000.

Proposal

This bill would eliminate the exceptions set forth above applicable to certain localities and set a uniform state-wide income limitation in order for an individual to be eligible for an exemption or deferral from local real estate tax. This bill would increase the maximum income amount to \$75,000, the maximum net worth amount to \$350,000 and the maximum acreage on which the person's home may be located to 20 acres. This would allow all localities, state-wide, the option of increasing the limitations to the same level.

This bill also contains an emergency clause and would become effective upon passage by the House and Senate and upon signature by the Governor.

Similar legislation

House Bill 1444 would allow the City of Norfolk to use the same net worth, income, and acreage caps as the localities in Northern Virginia.

The following bills also increase the maximum financial net worth cap, but is limited in application to certain localities in Northern Virginia.

House Bill 121 and House Bill 202 would increase from \$340,000 to \$400,000 the maximum financial worth cap a locality in Northern Virginia may impose in providing real estate tax exemptions to the elderly or disabled.

House Bill 277 and House Bill 1097 would increase from \$340,000 to \$540,000 the maximum financial worth cap a locality in Northern Virginia may impose in providing real estate tax exemptions to the elderly or disabled.

House Bill 560 would increase from \$340,000 to \$500,000 the maximum financial worth cap a locality in Northern Virginia may impose in providing real estate tax exemptions to the elderly or disabled.

cc : Secretary of Finance

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