DEPARTMENT OF TAXATION
2007 Fiscal Impact Statement

1. Patron Vivian E. Watts

2. Bill Number HB 2283

House of Origin:
X **Introduced**
_____ **Substitute**
_____ **Engrossed**

Second House:
_____ **In Committee**
_____ **Substitute**
_____ **Enrolled**

3. Committee House Finance

4. Title Real Property Tax; Deferral of Tax for Certain Elderly and Disabled

5. Summary/Purpose:

This bill would modify the method for calculating the net financial worth of elderly or disabled individuals for purposes of determining whether they satisfy the net financial worth requirements of any local Real Property Tax deferral or exemption program for the elderly or disabled. If the household's total combined income from all sources would qualify the household to receive a real estate tax exemption or deferral, the alternate method would allow the household's net financial worth to be calculated as a percentage of the household's total net financial worth. The percentage would be the same percentage that their income derived from pension or social security income is to their total income.

Under current law, the net financial worth amount is calculated by adding the household's total ownership interests including the present value of all equitable interests as of December 31 of the immediately preceding calendar year. A household's net financial worth will not include the value of the dwelling and up to ten acres of the land upon which that dwelling is situated. The local government is also authorized to exclude furnishings from this calculation.

The effective date of this bill is not specified.

6. Fiscal Impact: Not available.

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill would not have any impact on state revenues. This bill would have a negative revenue impact on localities with elderly or disabled exemption or deferral programs to the extent that it allows additional taxpayers to meet the local net financial worth requirements and thus qualify for exemption or deferral from local real property taxes.

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.

In order to qualify for a real estate tax exemption or deferral, an elderly or disabled individual's total combined gross income from all sources, including the income of relatives living in the dwelling may not exceed $50,000 during the previous year. The net combined financial worth of the applicant and spouse may not exceed $200,000, but localities may annually increase net worth limitations by a percentage equal to the Consumer Price Index to account for inflation.

Several localities are authorized to use higher total income and combined net worth limits.

The following cities and counties are authorized to increase their income limits to $52,000 and their net worth limits to $350,000:

- Cities of Charlottesville, Chesapeake, Norfolk, Portsmouth, Richmond, Suffolk, and Virginia Beach

- Counties of Chesterfield, Goochland, and Henrico

The following cities and counties are authorized to increase their income limits to $72,000 and their net worth limits to $540,000:

- Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park

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

Proposal

This bill would provide an alternate method for calculating the net financial worth of elderly or disabled individuals for purposes of determining whether they satisfy the net financial worth requirements of any local deferral or exemption program for the elderly or disabled. If the household's total combined income from all sources would qualify the household to receive a real estate tax exemption or deferral, the alternate method would allow the household's net financial worth to be calculated as a percentage of the household's total net financial worth. The percentage would be the same percentage that their income derived from pension or social security income is to their total income.

For example, in a locality with an annual income limit of $50,000 and a financial net worth limit of $200,000, this bill would enable a taxpayer with total annual income of $50,000, $20,000 of which is from social security, to qualify for the exemption or deferral program for the elderly or disabled even though the taxpayer has a financial net worth of $500,000.

Similar Legislation

House Bill 2641 would require indexing the income limits annually based on the percentage change in the Consumer Price Index for All Urban Consumers for purposes of the real property tax exemptions for elderly and disabled.

House Bill 2909 would allow localities to grant higher percentages of tax relief to the elderly based on increasing age, especially for those who are 75 years of age and older.

House Bill 1744 would increase the income limit for elderly and disabled taxpayers in certain Northern Virginia localities from $72,000 to $75,000 for real property tax exemptions.

Senate Bill 788 would increase from $52,000 to $62,000 the income limit in certain cities and counties for eligibility for deferral and exemption programs provided to the elderly and disabled.

cc : Secretary of Finance

Date: 1/21/2007 KP
DLAS File Name: HB2283F161