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SENATE BILL NO. 283

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the Joint Conference Committee
on March 5, 2008)

(Patron Prior to Substitute—Senator Miller, J. C.)

A *BILL to amend and reenact §§ 58.1-3211 and 58.1-3211.1 of the Code of Virginia, relating to real estate tax exemption for the elderly and disabled.*

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-3211 and 58.1-3211.1 of the Code of Virginia are amended and reenacted as follows:

§ 58.1-3211. Restrictions and exemptions.

Any exemption or deferral program enacted by a county, city or town pursuant to § 58.1-3210 shall be subject to the following restrictions and conditions:

1. a. Subject to subdivision 1 b of this section, the total combined income received from all sources during the preceding calendar year by (i) owners of the dwelling who use it as their principal residence and (ii) owners' relatives who live in the dwelling, shall not exceed the greater of \$50,000, or the income limits based upon family size for the respective metropolitan statistical area, annually published by the Department of Housing and Urban Development for qualifying for federal housing assistance pursuant to § 235 of the National Housing Act (12 U.S.C. § 1715z). As an alternative option, a county, city, or town may provide that the total combined income received from all sources during the preceding calendar year by (a) owners of the dwelling who use it as their principal residence and (b) owners' relatives who live in the dwelling shall not exceed the county's or city's median adjusted gross income of its married residents. Each county's or city's median adjusted gross income of its married residents means the most recent median adjusted gross income of individual income tax returns of the 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. A town's median adjusted gross income of its married residents shall equal the applicable county's median adjusted gross income of its married residents.

Any amount up to \$10,000 of income of each relative who is not the spouse of an owner living in the dwelling and who does not qualify for the exemption provided by subdivision 1 b hereof may be excluded in determining total combined income. The local government may exclude up to \$5,000 of any permanent or temporary disability benefit, from whatever source, received by an owner. The local government may also exclude up to \$10,000 of income for an owner who is permanently disabled.

b. Notwithstanding subdivision 1 a of this section, if a person qualifies for an exemption or deferral under this article, and if the person can prove by clear and convincing evidence that the person's physical or mental health has deteriorated to the point that the only alternative to permanently residing in a hospital, nursing home, convalescent home or other facility for physical or mental care is to have a relative move in and provide care for the person, and if a relative does then move in for that purpose, then none of the income of the relative or of the relative's spouse shall be counted towards the income limit, provided the owner of the residence has not transferred assets in excess of \$10,000 without adequate consideration within a three-year period prior to or after the relative moves into such residence.

2. The net combined financial worth, including the present value of all equitable interests, as of December 31 of the immediately preceding calendar year, of the owners, and of the spouse of any owner, excluding the value of the dwelling and the land, not exceeding 10 acres, upon which it is situated shall not exceed \$200,000. The local government may also exclude furnishings. Such furnishings shall include furniture, household appliances and other items typically used in a home. The local government may also elect 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.

3. Notwithstanding the provisions of subdivisions 1 and 2, in the Cities of Charlottesville, Chesapeake, *Hampton*, *Newport News*, Norfolk, Portsmouth, Richmond, Suffolk, and Virginia Beach and the Counties of Chesterfield, Goochland, ~~and Hanover~~, Henrico, ~~and Powhatan~~, the board of supervisors or council may, by ordinance, raise the income and financial worth limitations for any exemption or deferral program to a maximum of the greater of ~~\$62,000~~ \$67,000 or the income limits based upon family size for the respective metropolitan statistical area, annually published by the Department of Housing and Urban Development for qualifying for federal housing assistance pursuant to § 235 of the National Housing Act (12 U.S.C. § 1715z), for the total combined income amount, and \$350,000 for the maximum net combined financial worth amount, which shall exclude the value of the dwelling and the land, not exceeding 10 acres, upon which it is situated. Any amount up to \$10,000 of income of each relative who is not the spouse of an owner living in the dwelling may be excluded under this

subdivision. In addition, as an alternative option such cities and counties may use the median adjusted gross income of its married residents, as determined under subdivision 1 a, for the total combined income limit and may also elect to annually increase the net combined financial worth limit herein in the same manner as provided in subdivision 2.

4. Notwithstanding the provisions of subdivisions 1 and 2, in the Counties of Arlington, Clarke, Fairfax, Fauquier, Loudoun, Prince William, and Stafford, and the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park, and in any incorporated town located in such counties, the respective board of supervisors or council may, by ordinance, raise the income and financial worth limitations for any exemption or deferral program to a maximum of the greater of \$75,000 or the income limits based upon family size for the respective metropolitan statistical area, annually published by the Department of Housing and Urban Development for qualifying for federal housing assistance pursuant to § 235 of the National Housing Act (12 U.S.C. § 1715z), for the total combined income amount, and \$540,000 for the maximum net combined financial worth amount, which shall exclude the value of the dwelling and the land, up to but not exceeding 25 acres, all of which shall be non-income producing, upon which it is situated. Any amount up to \$10,000 of income of each relative who is not the spouse of an owner living in the dwelling may be excluded under this subdivision. In addition, as an alternative option such counties, cities, and towns may use the median adjusted gross income of its married residents, as determined under subdivision 1 a, for the total combined income limit and may also elect to annually increase the net combined financial worth limit herein in the same manner as provided in subdivision 2.

5. For purposes of this article, income shall mean total gross income from all sources, without regard to whether a tax return is actually filed. Income shall not include life insurance benefits or receipts from borrowing or other debt.

§ 58.1-3211.1. Prorated tax exemption or deferral of tax.

A. The governing body of the county, city, or town may, by ordinance, also provide for an exemption from or deferral of (or combination program thereof) real estate taxes for dwellings jointly held by two or more individuals not all of whom are at least age 65 or (if provided in the ordinance) permanently and totally disabled, provided that (i) the dwelling is occupied as the sole dwelling by all such joint owners, and (ii) the net combined financial worth of all such joint owners, including the present value of all equitable interests and computed without any exclusion for the dwelling or for any other asset notwithstanding the provisions of § 58.1-3211, as of December 31 of the immediately preceding calendar year, does not exceed the following:

a. \$500,000 for joint owners living in Arlington County, Clarke County, Fairfax County, Fauquier County, Loudoun County, Prince William County, Stafford County, any incorporated town located in any such county, the City of Alexandria, the City of Fairfax, the City of Falls Church, the City of Manassas, or the City of Manassas Park;

b. \$324,075 for joint owners living in Chesterfield County, Goochland County, *Hanover County*, Henrico County, *Powhatan County*, the City of Charlottesville, the City of Chesapeake, *the City of Hampton*, *the City of Newport News*, the City of Norfolk, the City of Portsmouth, the City of Richmond, the City of Suffolk, or the City of Virginia Beach; and

c. \$185,200 for joint owners living in any other county or city of the Commonwealth.

The tax exemption or deferral for the dwelling that otherwise would have been provided under the local ordinance shall be prorated by multiplying the amount of the exemption or deferral by a fraction that has as a numerator the percentage of ownership interest in the dwelling held by all such joint owners who are at least age 65 or (if provided in the ordinance) permanently and totally disabled, and as a denominator, 100%. As a condition of eligibility for such tax exemption or deferral, the joint owners of the dwelling shall be required to furnish to the relevant local officer sufficient evidence of each joint owner's ownership interest in the dwelling.

B. As provided in § 58.1-3211, the local governing body may elect to annually increase the net combined financial worth limit by an amount equivalent to the percentage increase in the Consumer Price Index.

C. The provisions of this section shall not apply to dwellings jointly held by a husband and wife, with no other joint owners.

D. The income limitation provisions of § 58.1-3211 shall be applicable to joint owners described under this section. Nothing in this section shall be interpreted or construed to provide for an exemption from or deferral of tax for any dwelling jointly held by nonindividuals.