

DEPARTMENT OF TAXATION

2008 Fiscal Impact Statement

1. **Patron** Paula J. Miller

2. **Bill Number** HB 270

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Real Property Tax Relief; Exemption and Deferral for the Elderly and Permanently and Totally Disabled.

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would increase from \$62,000 to \$65,000 the maximum income limit the Cities of Charlottesville, Chesapeake, Norfolk, Portsmouth, Richmond, Suffolk, and Virginia Beach and the Counties of Chesterfield, Goochland, and Henrico may impose in providing real estate tax exemptions or deferrals to the elderly or disabled.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

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

8. **Fiscal implications:**

This bill would have no impact on TAX's administrative costs or on state revenues. Localities that use the authority granted by this bill to increase their maximum income limit may lose revenue as more taxpayers may qualify for the exemption/deferral programs.

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

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

Counties of: Chesterfield, Goochland, and Henrico

10. **Technical amendment necessary:** No.

11. **Other comments:**

Current Law

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.

The following cities and counties are authorized to increase their income limits to \$62,000 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

In 2007, the General Assembly increased the income limitation for these localities from \$52,000 to \$62,000.

The following cities and counties are authorized to increase their income limits to \$75,000 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

In 2007, the General Assembly increased the income limitation for these localities from \$72,000 to \$75,000.

Proposal

This bill would increase the income cap for the Cities of Charlottesville, Chesapeake, Norfolk, Portsmouth, Richmond, Suffolk, and Virginia Beach and the Counties of Chesterfield, Goochland, and Henrico from its current cap of \$62,000 to \$65,000.

Similar Legislation

House Bill 1274 and **Senate Bill 203** (identical) would raise the maximum income eligibility restrictions from \$62,000 to 67,000 in the Cities of Charlottesville, Chesapeake, Norfolk, Portsmouth, Richmond, Suffolk, and Virginia Beach and the Counties of Chesterfield, Goochland, and Henrico.

House Bill 163 would authorize localities to allow by ordinance a real property tax exemption or deferral to an elderly or handicapped based on the applicant's current year's income and financial worth.

House Bill 183 would place the legal presence requirement on applicants for the property tax exemption/deferral program for the elderly or handicapped.

House Bill 465 would provide an alternate formula for determining net combined financial worth that allows individuals who depend on investment income rather than pension income to qualify for real estate tax relief.

House Bill 698 and **Senate Bill 283** (identical) would add the City of Newport News to the list of Southeastern and Central Virginia cities and counties authorized to use higher income and net worth limits to qualify for real estate tax relief.

Senate Bill 425 would authorize counties, cities, and towns to require that persons seeking real estate tax exemptions and deferrals under current law demonstrate that they have the legal right to be present in the United States in order to be eligible.

cc : Secretary of Finance

Date: 1/15/2008 jkl
HB270F161