DEPARTMENT OF TAXATION
2008 Fiscal Impact Statement

1. Patron Vivian E. Watts

2. Bill Number HB 465
House of Origin:
_____ **Introduced**
_____ **Substitute**
_____ **Engrossed**

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

3. Committee House Finance

4. Title Real Property Tax Exemptions for Certain Elderly and Disabled Persons; Income Limits.

5. Summary/Purpose:

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 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 does 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 Estimates are: Not available. (See Line 8.)

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:

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.

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 $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 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.

Example 1. 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.

Example 2. In a locality in Northern Virginia with an annual income limit of $75,000 and a financial net worth limit of $540,000, this bill would enable a taxpayer with total annual income of $70,000, $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 $1,900,000.

Similar Legislation

House Bill 163 would authorize localities to enact by ordinance a real property tax exemption or deferral to an elderly or handicapped individual who would qualify for the exemption or deferral based on the applicants current year's income limitation and financial worth limitations.

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 270 would raise the maximum income eligibility restrictions from $62,000 to 65,000 in the Cities of Charlottesville, Chesapeake, Norfolk, Portsmouth, Richmond, Suffolk, and Virginia Beach and the Counties of Chesterfield, Goochland, and Henrico.

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.

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 1275 would authorize localities to allow by ordinance a higher percentage of real property tax exemption or deferral to the elderly or handicapped on the basis of increasing age, especially for taxpayers who are 75 years of age or older.

cc : Secretary of Finance

Date: 1/15/2008 jkl
HB465F161