

# DEPARTMENT OF TAXATION

## 2008 Fiscal Impact Statement

1. **Patron** John C. Miller

2. **Bill Number** SB 283

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

3. **Committee** Passed House and Senate

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

**Second House:**

           **In Committee**

           **Substitute**

  X   **Enrolled**

### 5. **Summary/Purpose:**

This bill would allow the Cities of Hampton and Newport News and the Counties of Hanover and Powhatan to join the Cities of Charlottesville, Chesapeake, Norfolk, Portsmouth, Richmond, Suffolk, and Virginia Beach and the Counties of Chesterfield, Goochland, and Henrico, which are currently authorized to provide real estate tax exemptions or deferrals to the elderly and disabled with an income limitation not exceeding \$62,000 and a combined net worth limitation not exceeding \$350,000. This bill would also authorize these localities to increase their maximum income limitations to \$67,000. This bill would also allow the Cities of Hampton and Newport News and the Counties of Hanover and Powhatan to join the Counties of Chesterfield, Goochland, and Henrico and the Cities of Charlottesville, Chesapeake, Norfolk, Portsmouth, Richmond, Suffolk, and Virginia Beach, which are authorized to extend real estate tax relief for the elderly and disabled to dwellings jointly held between individuals, not all of whom are at least age 65 or permanently and totally disabled, provided their combined net financial worth does not exceed certain \$324,075.

Currently, the Cities of Hampton and Newport News and the Counties of Hanover and Powhatan are authorized to use an income limitation of \$50,000 and a combined net worth limitation of \$200,000. Currently, the Cities of Hampton and Newport News and the Counties of Hanover and Powhatan are authorized to extend real estate tax relief for the elderly and disabled to dwellings jointly held between individuals, not all of whom are at least age 65 or permanently and totally disabled, provided their combined net financial worth does not exceed certain \$185,200.

This 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 state revenues. If the Cities of Hampton and Newport News and the Counties of Hanover and Powhatan use the authority granted by this bill to increase their maximum income and net wealth limitations, they may lose revenue as more taxpayers may qualify for their exemption or deferral programs. If the Cities of Charlottesville, Chesapeake, Norfolk, Portsmouth, Richmond, Suffolk, and Virginia Beach and the Counties of Chesterfield, Goochland, and Henrico exercise their authority to increase their income limitations, they may lose revenue as more taxpayers may qualify for their exemption and deferral programs.

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

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

Counties of: Chesterfield, Goochland, Hanover, Henrico and Powhatan

## **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.

In 2007, the General Assembly also authorized local governing bodies, by ordinance, to extend the real estate tax relief for the elderly or disabled to dwellings that are jointly held by individuals, when all owners do not meet the age or disability requirements. In order to qualify for the exemption or deferral programs, the dwelling must be occupied as the sole dwelling of every joint owner. Joint owners would only qualify for this exemption if their combined net financial worth does not exceed \$185,200.

Several localities are authorized to use higher combined net financial worth limits.

The following cities and counties are authorized to increase the combined financial net worth limits to \$500,000:

- Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park.
- Counties of Arlington, Clarke, Fairfax, Fauquier, Loudoun, Prince William, and Stafford.

The following cities and counties are authorized to increase the combined financial net worth limits to \$324,075:

- Cities of Charlottesville, Chesapeake, Norfolk, Portsmouth, Richmond, Suffolk, and Virginia Beach.
- Counties of Chesterfield, Goochland, and Henrico.

The income limitations otherwise applicable apply using the income of all joint owners. Provided the qualifications are met, the tax relief is prorated by multiplying the amount of the exemption or deferral by a fraction that has as its numerator the percentage of ownership interest in the dwelling held by all of the joint owners who meet the age or disability requirements, and as its denominator, 100%. In order to be eligible for the exemption or deferral program, the joint owners of the dwelling are required to furnish sufficient evidence to the relevant local officer of each of their ownership interests in the dwelling. The local governing body is also authorized to elect to annually increase the net

combined financial worth limit by an amount equivalent to the percentage increase in the Consumer Price Index

### Proposal

This bill would allow the Cities of Hampton and Newport News and the Counties of Hanover and Powhatan to join the Cities of Charlottesville, Chesapeake, Norfolk, Portsmouth, Richmond, Suffolk, and Virginia Beach and the Counties of Chesterfield, Goochland, and Henrico, which are authorized to provide real estate tax exemptions or deferrals to the elderly and disabled with income limitations and net worth limitations greater than those authorized generally for cities and counties. This bill would also authorize these localities to increase their maximum income limitations to \$67,000.

This bill would also allow the Cities of Hampton and Newport News and the Counties of Hanover and Powhatan to join the Counties of Chesterfield, Goochland, and Henrico and the Cities of Charlottesville, Chesapeake, Norfolk, Portsmouth, Richmond, Suffolk, and Virginia Beach, which are authorized to extend real estate tax relief for the elderly and disabled to dwellings jointly held between individuals, not all of whom are at least age 65 or permanently and totally disabled, provided their combined net financial worth does not exceed certain \$324,075.

### Similar Bills

**House Bill 698** is identical to this bill.

**House Bill 1503** 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 1479** would allow exemption and deferral programs for the elderly and handicapped to include the income of nonrelatives living in the applicant's dwelling, except for bona fide tenants or bona fide caregivers, when computing the maximum income limits to be eligible for the tax relief.

cc : Secretary of Finance

Date: 3/10/2008 jkl  
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