

# DEPARTMENT OF TAXATION

## 2011 Fiscal Impact Statement

- |  |                                       |
|--|---------------------------------------|
| <b>1. Patron</b> John M. O'Bannon, III   | <b>2. Bill Number</b> <u>HB 1645</u>  |
|  | <b>House of Origin:</b>               |
| <b>3. Committee</b> Passed by House and Senate   | <u>          </u> <b>Introduced</b>   |
|  | <u>          </u> <b>Substitute</b>   |
|  | <u>          </u> <b>Engrossed</b>    |
| <b>4. Title</b> Constitutional Amendment; Property Tax Exemptions for Certain Veterans | <b>Second House:</b>                  |
|  | <u>          </u> <b>In Committee</b> |
|  | <u>          </u> <b>Substitute</b>   |
|  | <u>      X      </u> <b>Enrolled</b>  |

### 5. Summary/Purpose:

This bill would provide the necessary statutory authorization required by the constitutional amendment to Article X, § 6 of the *Constitution of Virginia*, adopted by voters authorizing the General Assembly to exempt from taxation real property that is the principal residence of a veteran (or widow or widower of a veteran) if the veteran has been determined by the United States Department of Veterans Affairs or its successor agency pursuant to federal law to have a 100 percent service-connected, permanent, and total disability. In addition, the land, not to exceed one acre, upon which the dwelling is situated, would also be exempt from taxation. However, if the locality provides for an exemption or deferral or real property taxes of more than one acre for the elderly and handicapped, the locality must also provide an exemption of the same number of acres for veterans and surviving spouses. The surviving spouse of a veteran is eligible for the exemption, so long as the death of the veteran occurs on or after January 1, 2011, the surviving spouse does not remarry, and the surviving spouse continues to occupy the real property as his principal place of residence.

The bill also provides that the veteran or surviving spouse claiming the exemption must file with the commissioner of the revenue in which the property is located, on forms to be supplied by the locality, an affidavit or written statement setting forth the name of the veteran and spouse, if any, whether the real property is jointly owned, and certifying that the property is occupied as the veteran's principal place of residence. The veteran must also provide documentation from the U.S. Department of Veterans Affairs or its successor agency pursuant to federal law to have a 100 percent combat-related, permanent, and total disability.

This bill contains an emergency clause and would be in force from its passage.

### 6. Budget amendment necessary: No.

### 7. No Fiscal Impact. (See Line 8.)

## **8. Fiscal implications:**

This bill would have no impact on state revenues. To the extent that qualifying real property owned by 100 percent disabled veterans are located within a locality, the bill would result in an unknown revenue loss to the locality. Virginia's civilian veteran population is approximately 771,000 and approximately 1 percent of veterans have a disability rating of 100 percent.

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

All localities

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

## **11. Other comments:**

### Current Law

Virginia authorizes localities to adopt exemption/deferral programs for the elderly or handicapped to 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 are 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 and, at the option of each locality, nonrelatives living in the dwelling that are not tenants or paid caregivers, may not exceed \$50,000 during the previous year. Any amount up to \$10,000 of income of each person who does not qualify for the exemption and is not the spouse of an owner living in the dwelling may be excluded from the total combined gross income. 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 \$67,000 and their net worth limits to \$350,000:

- Cities of Charlottesville, Chesapeake, Hampton, Newport News, Norfolk, Portsmouth, Richmond, Suffolk, and Virginia Beach
- Counties of Chesterfield, Goochland, Hanover, Henrico, and Powhatan

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

### Constitutional Amendment

Article XII of the *Constitution of Virginia* sets forth the process for constitutional amendments to take effect in Virginia. An amendment is proposed in the Senate or House of Delegates. The proposed amendment must be agreed upon by a majority of all the members of both the House of Delegates and the Senate in two General Assembly sessions, with an intervening election, and then submitted to voters. If a majority of the voters vote in favor of the amendment, the amendment becomes part of the Constitution on the date prescribed by the General Assembly in submitting the amendment to the voters.

During the 2010 Virginia General Assembly Session, Senate Bill 31 and several companion resolutions were introduced to amend the Constitution to provide that the General Assembly by general law shall exempt from the real property tax the principal residence of any veteran who has been determined to have a 100% service-connected permanent and total disability. Senate Bill 31 provided that, upon receiving the required number of votes at the November 2010 election, the constitutional amendment would take effect on January 1, 2011. As the amendment required the General Assembly to provide the exemption by general law, legislation must be enacted in the 2011 General Assembly Session for the exemption to apply.

### Proposal

This bill would provide the necessary statutory authorization required by the constitutional amendment to Article X, § 6 of the *Constitution of Virginia*, adopted by voters authorizing the General Assembly to exempt from taxation real property that is the principal residence of a veteran (or widow or widower of a veteran) if the veteran has been determined by the United States Department of Veterans Affairs or its successor agency pursuant to federal law to have a 100 percent service-connected, permanent, and total disability. In addition, the land, not to exceed one acre, upon which the dwelling is situated, would also be exempt from taxation. However, if the locality provides for an exemption or deferral or real property taxes of more than one acre for the elderly and handicapped, the locality must also provide an exemption of the same number of acres for veterans and surviving spouses. The surviving spouse of a veteran is eligible for the exemption, so long as the death of the veteran occurs on or after January 1, 2011, the surviving spouse does not remarry, and the surviving spouse continues to occupy the real property as his principal place of residence.

The bill also provides that the veteran or surviving spouse claiming the exemption must file with the commissioner of the revenue in which the property is located, on forms to be supplied by the locality, an affidavit or written statement setting forth the name of the

veteran and spouse, if any, whether the real property is jointly owned, and certifying that the property is occupied as the veteran's principal place of residence. The veteran must also provide documentation from the U.S. Department of Veterans Affairs or its successor agency pursuant to federal law to have a 100 percent combat-related, permanent, and total disability.

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#### Similar Legislation

**Senate Bill 987** is identical to this bill.

**House Bill 2278 and Senate Bill 1073** would provide the necessary statutory authorization required by the constitutional amendment to Article X, § 6(b) of the *Constitution of Virginia*, adopted by voters authorizing the General Assembly to permit local governments to establish their own income or financial worth limitations for purposes of granting property tax relief for homeowners who are 65 years of age or older, or permanently and totally disabled.

cc : Secretary of Finance

Date: 3/1/2011 AM  
DLAS File Name: HB1645FER161