

DEPARTMENT OF TAXATION

2015 Fiscal Impact Statement

1. **Patron** David I. Ramadan

2. **Bill Number** HB 1721

House of Origin:

 Introduced

 Substitute

 Engrossed

3. **Committee** Passed House and Senate

4. **Title** Real Property Tax; Exemption for Spouses
of Soldiers Killed in Action

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would expand the real property tax exemption for the principal place of residence of a surviving spouse of a soldier killed in action by allowing dwellings assessed at more than the average assessed value of all dwellings located within the locality that are zoned as single family residential to qualify for the exemption. The exemption would be limited to that portion of the assessed value of the residence that does not exceed the average assessed value of all dwellings located within the locality that are zoned as single family residential. The bill also would provide that the exemption applies without any restriction on the surviving spouse moving to a different principal place of residence. This bill would require the refund, without interest, of any tax year 2015 real property taxes paid on a qualifying surviving spouse's real property that would be exempt pursuant to the bill.

Legislation enacted in the 2014 General Assembly Session provided 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 surviving spouse of any member of the armed forces of the United States who was killed in action as determined by the Department of Defense. The constitutional amendment was adopted by voters and became effective January 1, 2015.

Under current law, any dwelling with an assessed value exceeding the average assessed value of all dwellings located within the locality that are zoned as single family residential cannot qualify for the exemption. Also, the exemption ceases if the surviving spouse remarries.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.

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

8. **Fiscal implications:**

As this bill would allow a partial exemption for residences with an assessed value in excess of the average assessed value of all dwellings located within the locality that are zoned as single family residential, the bill would result in an unknown revenue loss to localities. In 2013, the Joint Legislative Audit and Review Commission estimated that providing a real property tax exemption for surviving spouses of soldiers killed in action would result in a revenue loss of approximately \$1,749,000 to \$8,688,000 for the first full fiscal year it was enacted. This bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No.

11. Other comments:

Current Exemption

Legislation enacted in the 2014 General Assembly Session, House Bill 46 (*Acts of Assembly* 2014, Chapters 757), provided 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 surviving spouse of any member of the armed forces of the United States who was killed in action as determined by the Department of Defense. The constitutional amendment was adopted by voters and became effective January 1, 2015.

To qualify for the current exemption, the surviving spouse must continue to occupy the same real property as a principal residence and the assessed value of the real property dwelling must be less than the average assessed value of all dwellings located within the locality that are zoned as single family residential. The land upon which the dwelling is situated, not to exceed one acre, is also exempt from taxation. However, if the locality provides for an exemption or deferral of 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. If the real property is jointly owned by one or more persons and not all persons qualify for the exemption, then the exemption shall be prorated based on the ownership interest of all joint owners. The exemption would cease if the surviving spouse remarries.

Disabled Veterans

House Bill 1645 and Senate Bill 987 (*Acts of Assembly* 2011, Chapters 769 and 840) provided the necessary statutory authorization to exempt from taxation, for tax years beginning on or after January 1, 2011, 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, is also exempt from taxation. However, if the locality provides for an exemption or deferral of 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.

Proposal

This bill would expand the real property tax exemption for the principal place of residence of a surviving spouse of a soldier killed in action by allowing dwellings assessed at more than the average assessed value of all dwellings located within the locality that are zoned as single family residential to qualify for the exemption. The exemption would be limited to that portion of the assessed value of the residence that does not exceed the average assessed value of all dwellings located within the locality that are zoned as single family residential. The bill also would provide that the exemption applies without any restriction on the surviving spouse moving to a different principal place of residence. This bill would require the refund, without interest, of any tax year 2015 real property taxes paid on a qualifying surviving spouse's real property that would be exempt pursuant to the bill.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 3/10/2015 AM
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