

DEPARTMENT OF TAXATION

2017 Fiscal Impact Statement

1. **Patron** Timothy D. Hugo

2. **Bill Number** HB 1884

3. **Committee** Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Real Property Tax; Exemption for Certain
Surviving Spouses

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would provide the necessary statutory authorization required by the constitutional amendment adding § 6-B to Article X of the *Constitution of Virginia* authorizing the General Assembly to allow localities to exempt from taxation real property that is the principal residence of a surviving spouse of any covered person. A covered person would be any law-enforcement officer, firefighter, search and rescue personnel, or emergency medical services personnel whose death occurred on or after April 8, 1972 as the direct or proximate result of the performance of his duty. The exemption for the surviving spouse would begin on January 1, 2017, if the surviving spouse has a principal residence and the covered person's death occurred on or prior to January 1, 2017. The exemption would begin on the date the covered person dies, if the death occurs after January 1, 2017, or the date of acquisition, if the surviving spouse acquires the residence after January 1, 2017. The constitutional amendment was adopted by voters at the November 8, 2016 election.

The bill also would provide that the exemption applies without any restriction on the surviving spouse moving to a different principal place of residence. The exemption would cease 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:**

To the extent that a locality enacts a real property exemption for surviving spouses of law-enforcement officers and other personnel who were killed in the line of duty, the bill would result in an unknown revenue loss to that locality. 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:

Exemption for Surviving Spouses of Soldiers Killed in Action

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.

Under current law, the real property tax exemption for surviving spouses of soldiers killed in action applies to the principal place of residence with an assessed value not exceeding the average assessed value of all dwellings located within the locality that are zoned as single family residential. For principal places of residence that are assessed at more than the average assessed value of all dwellings located within the locality that are zoned as single family residential, the exemption only applies to the portion of the assessed value of that does not exceed the average assessed value of all dwellings located within the locality that are zoned as single family residential. The exemption applies without any restriction on the surviving spouse moving to a different principal place of residence.

Exemption for 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. 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 provide the necessary statutory authorization required by the constitutional amendment adding § 6-B to Article X of the *Constitution of Virginia* authorizing the General Assembly to allow localities to exempt from taxation real property that is the principal residence of a surviving spouse of any covered person. A covered person would be any law-enforcement officer, firefighter, search and rescue personnel, or emergency medical services personnel whose death occurred on or after April 8, 1972 as the direct or

proximate result of the performance of his duty. The exemption for the surviving spouse would begin on January 1, 2017, if the surviving spouse has a principal residence and the covered person's death occurred on or prior to January 1, 2017. The exemption would begin on the date the covered person dies, if the death occurs after January 1, 2017, or the date of acquisition, if the surviving spouse acquires the residence after January 1, 2017. The constitutional amendment was adopted by voters at the November 8, 2016 election.

To qualify for the exemption, the surviving spouse must continue to occupy the same real property or manufactured home as a principal residence and the assessed value of the dwelling must not be in excess of the average assessed value of all dwellings located within the locality that are zoned as single family residential. For dwellings with an assessed value that exceeds the average assessed value of all dwellings located within the locality that are zoned as single family residential, the exemption would only be available for the portion of the assessed value that is not in excess of the average assessed value.

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 bill also would provide that the exemption applies without any restriction on the surviving spouse moving to a different principal place of residence. The exemption would cease if the surviving spouse remarries.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 2/16/2017 AM
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