

Commission on Local Government

Estimate of Local Fiscal Impact

2019 General Assembly Session

Bill: HB1655

Patron: Miyares

Date: 1/17/2019

In accordance with the provisions of §30-19.03 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of the above-referenced legislation:

Bill Summary:

Real property tax exemption for disabled veterans; surviving spouses; ability to move to a different residence. Enacts as statutory law an amendment to subdivision (a) of Section 6-A of Article X of the Constitution of Virginia that was adopted by the voters on November 6, 2018, which applies the real property tax exemption for the surviving spouse of a disabled veteran to such spouse's principal place of residence regardless of whether such spouse moves to a different residence.

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### Executive Summary:

Localities have evaluated a negative fiscal impact ranging from \$0.00 - \$1,000,000.00. There was considerable variation regarding local fiscal estimates. Most localities didn't provide a cost, but noted there would be minimal fiscal impact but the exact impact is indeterminate due to participants moving in and out of the localities including the value of the dwelling they might purchase. Some localities provided an exact amount based on existing exemptions, which could serve as a baseline for the impact, but this could vary based on migration and home value. Overall localities noted that the bill would impact their tax base and the amount they used was an estimate. Some localities noted that the exemption amount should be capped as the remaining population has to make up the difference. One locality noted that the bill would disproportionately impact regions such as Hampton Roads, and Northern Virginia as they have a nationally higher than average number of disabled veterans.

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### Local Analysis:

**Locality:** Augusta County

**Estimated Fiscal Impact:** \$100.00

The County Commissioner of Revenue's Office already has in place office procedures which require the spouse to provide not only the information that their husband qualified as a 100% qualified disabled veteran, but also the documents to support that fact. There isn't any kind of income qualification, or net worth requirement. If you qualify you are in and if you do, no further qualifiers can be placed on it. From an administrative standpoint, there would be little to no change in cost of running the program.

However, if the spouse opts for a more valuable home than they currently own, then there would be revenue implications, as the exemption on the new property would be more than the prior. There is no way to determine how often this may happen to prepare a fiscal impact, but I don't foresee it being a significant impact.

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Locality: City of Danville **Estimated Fiscal Impact:** \$5,000.00

This is difficult to estimate. There might be a slight tax exemption increase amount if a surviving spouse would move into a higher valued home. Real Estate Assessor does not anticipate a dramatic impact in our city. Estimated less than \$5000.

Locality: City of Harrisonburg **Estimated Fiscal Impact:** \$0.00

No estimated provided. Any loss in real estate tax revenue would be minimal.

Locality: City of Martinsville **Estimated Fiscal Impact:**
\$1,000,000.00

In a locality with little to no way of increasing it's taxable base, this legislation ties our hands even further. City of Martinsville relies on an aging population to pay their taxes, which has been our saving grace over the years. However with additional exemptions, it compounds an issue that has been an increasing problem. And to make matters worse, the remaining non-exempt population, has to make up the difference. This is simply unfair to the remainder of the taxpayers. With reduced funding on all sides, be it state or federal, additional exemptions impact smaller localities such as are even further.

Locality: City of Norfolk **Estimated Fiscal Impact:** \$0.00

The City of Norfolk has a large active military population. There are many veterans in the area and spouses as well. It is difficult to determine what the impact will be as there are a multitude of factors and scenarios that would change the outcome for Norfolk.

Locality: City of Virginia Beach **Estimated Fiscal Impact:** \$465,202.00

The total tax credit granted to surviving spouses currently enrolled in the program through existing law in the City of Virginia Beach for FY 2019 is \$465,202. The ability to allow all spouses to move and retain their exemption, would at the very least, cost this much. That, however, assumes that all spouses a) purchase similarly assessed houses b) purchase homes within the City limits of Virginia Beach and c) no spouses from other jurisdictions arrive in Virginia Beach. As for potential cost increase, there is no way for us to predict potential human behaviors such as when to move or what house to purchase. According to estimates, roughly 11% of all Americans move in a given year, and the median tax assessment in our program is less than the average assessed value. To illustrate only one potential scenario: if 11% of our participants were to move from the median to the average assessed value house, then the cost to Virginia Beach in tax revenue would be an additional \$4,000. The actual amount, though, could vary wildly.

Locality: City of Winchester

Estimated Fiscal Impact: \$0.00

From the COR:
This bill could result in some additional exemptions, but quite frankly it makes sense. As the law reads now, the surviving spouse has to stay in the original home where he/she resided with the qualifying veteran. But it makes sense that the surviving spouse may want to relocate at some point, and typically that would involve downsizing. So from that perspective, the value of the tax exemption might actually decrease.
Conclusion: It probably won't have much net financial impact

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**Locality:** Fairfax County **Estimated Fiscal Impact:** \$0.00

There may be a fiscal impact due to a potential increase in qualifying participants. Impact difficult to determine due to participants moving in and out of the county, among other factors. Unlike the KIA and surviving spouse of a first responder exemptions this bill does not include a value threshold for applying the exemption, making this a 100 percent exemption regardless of the value of the property.

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Locality: Henrico County. **Estimated Fiscal Impact:** \$0.00

A specific fiscal impact cannot be determined at this time.

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**Locality:** Loudoun County **Estimated Fiscal Impact:** \$151,740.50

To date, the 2018 foregone revenue was approximately \$2.3 million from the property exemption resulting from Article X, Section 6-A, Property tax exemption for certain veterans and their surviving spouses and surviving spouses of soldiers killed in action. That amount is comprised of approximately 400 veterans and we estimate less than 25 surviving spouses. The average exemption amount for 2018 was \$6,069.62. The fiscal impact of the bill is difficult to quantify since spouses are already receiving the exemption and it is impossible to determine the number of surviving spouses who might move in the future and the value of the dwelling they might purchase.

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Locality: Prince George County **Estimated Fiscal Impact:** \$20,000.00

It is virtually impossible to determine the amount of additional tax relief that could be provided to eligible surviving spouses moving into our County. We currently have 26 surviving spouses residing in Prince George County with relief of \$42,000 being provided.
We provided our best estimate above.

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**Locality:** Richmond County **Estimated Fiscal Impact:** \$0.00

I do not see a fiscal impact for rural localities, i feel as though these spouses would generally move to more urban areas.

however, I feel that the exemption should be capped at whatever the original exemption was in the beginning county.

If they were getting \$500 in RE tax relief in Richmond County, i feel as though they should be eligible for up to \$500 in relief if they move to Hanover County.

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Locality: Rockingham County **Estimated Fiscal Impact:** \$0.00

Rockingham County currently has approximately 105 residences utilizing this exemption for a total deferment of \$125,000. We do not expect this change in the exemption to increase the deferment significantly.

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**Locality:** Spotsylvania County **Estimated Fiscal Impact:** \$0.00

Unable to quantify the impact of this bill.

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Locality: Town of Blacksburg **Estimated Fiscal Impact:** \$5,000.00

Currently our veteran exemption is less than \$5,000 a year. This change will not significantly change that amount. We have not had any case of a surviving spouse losing the exemption due to moving principle residence.

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**Locality:** Town of Luray **Estimated Fiscal Impact:** \$500.00

There is potential impact to our Real Estate Tax revenue if additional individuals benefiting from the new exemption status move to our Town.

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Locality: Town of Marion. **Estimated Fiscal Impact:** \$0.00

I am supportive of this bill. The negligible loss in real estate taxes is exponentially offset by the benefit.

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**Locality:** Town of Warsaw **Estimated Fiscal Impact:** \$300.00

This may disproportionately impact regions such as Hampton Roads and Northern Virginia that have a nationally higher than average amount of disabled veterans. In our community, the impact of this bill would be minimal.

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Professional and Other Organization

Analysis:

Organization: Accomack-Northampton Planning District
Commission

The U.S. Veterans Administration estimates there are 733,046 living veterans in Virginia as of November 2015. The Post 9/11 Gulf War Era veterans are 109,141 and this represents the universe of veterans who potentially have spouses who would be most likely to move houses after the death of a veteran. The Gulf War Era has 351,008 veterans living in Virginia in 2015 and the Vietnam War Era has 217,002. The time in between these two Eras has 99,597 veterans.

In Accomack County and Northampton County the projected population of veterans is expected to shrink over the next thirty years. Currently, the VA is reporting Accomack County has 3,199 veterans and Northampton County has 1,184 veterans. The Internal Revenue Service shows that these counties are currently seeing a general trend that out migration is greater than in migration. While it cannot be determined an exact fiscal impact, a negative fiscal impact would only occur to the counties if 1) spouses move to more valuable real estate from less valuable real estate within the county or 2) the area becomes attractive to spouses who choose to move from other counties to live on the Eastern Shore of Virginia.

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