

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** Martha M. Mugler

3. **Committee** House Finance

4. **Title** Local Real Property Tax: State Subsidy of
Property Tax Exemptions for Disabled
Veterans and Surviving Spouses of Service
Members

2. **Bill Number** HB 1496

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would require the Commonwealth to reimburse localities for providing property tax exemptions for disabled veterans and their surviving spouses and for surviving spouses of members of the armed forces killed in action. This would apply to taxable years beginning on and after January 1, 2020.

Under current law, the principal residence of a disabled veteran or the surviving spouse of a disabled veteran or the surviving spouse of a member of the armed forces of the United States who was killed in action is exempt from local real property tax.

If enacted during the Regular Session of the 2020 General Assembly, this bill would become effective on July 1, 2020.

6. **Budget amendment necessary:** No

7. **Fiscal Impact Estimates are:** Preliminary (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") considers implementation of this bill as routine and does not require additional funding. This bill could result in administrative costs to qualifying localities, as such localities would need to apply annually for the subsidy.

Revenue Impact

Based on preliminary data voluntarily reported by some localities, this bill would result in an unknown revenue gain to localities and losses to the state General Fund of approximately \$37 million annually.

9. Specific agency or political subdivisions affected:

Department of Taxation
Auditor of Public Accounts
Localities

10. Technical amendment necessary: No

11. Other comments:

Real Property Taxation

Article X, Section 1 of the Constitution of Virginia mandates that all property shall be taxed unless specifically exempted. Real estate is segregated and made subject to local taxation only by Article X, Section 4 of the Constitution of Virginia. Article X, § 6-A of the Constitution of Virginia exempts the following from real property taxation:

- The principal residence of a disabled veteran or the widow or widower of such a veteran; and
- The principal residence of the surviving spouse of any member of the armed forces of the United States who was killed in action.

These exemptions apply to taxable years beginning on or after January 1, 2011, and require that 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; or that the service member was killed in action as determined by the United States Department of Defense.

Legislation enacted during the 2019 General Assembly Session provided the legislative implementation of a constitutional amendment that was adopted by the voters on November 6, 2018, which allows surviving spouses of disabled veterans to retain the exemption from real property taxes regardless of the fact that they have moved to a new principal residence. Before this amendment, otherwise eligible spouses would lose the exemption if they moved to a new principal residence.

Proposal

This bill would require the Commonwealth to reimburse localities for providing property tax exemptions for disabled veterans and their surviving spouses and for surviving spouses of members of the armed forces killed in action. This would apply to taxable years beginning on and after January 1, 2020.

Any locality could apply annually for the state subsidy to the Auditor of Public Accounts by providing documentation of the amount of the locality's taxable real estate that was exempt from taxation for the taxable year pursuant to the property tax exemptions for disabled veterans and surviving spouses. The Department of Taxation would provide to the commissioner of revenue and treasurer of each locality such data or information it has

available that would be needed to comply with the application process. The reimbursements would be paid over a 12-month period.

If enacted during the Regular Session of the 2020 General Assembly, this bill would become effective on July 1, 2020.

Similar Legislation

Senate Bill 143 and **House Bill 363** would require the Commonwealth to reimburse eligible localities for a portion of their cost of providing property tax exemptions for disabled veterans and their surviving spouses and for surviving spouses of members of the armed forces killed in action for taxable years beginning on and after January 1, 2020. "Eligible locality" would be a locality in which more than one percent of its taxable real estate qualifies for these exemptions.

cc: Secretary of Finance

Date: 2/1/2020 SK
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