DEPARTMENT OF TAXATION
2007 Fiscal Impact Statement

1. Patron Mark R. Herring

2. Bill Number SB 1265

House of Origin:
X **Introduced**
____ **Substitute**
____ **Engrossed**

Second House:
____ **In Committee**
____ **Substitute**
____ **Enrolled**

3. Committee Senate Finance

4. Title Real Property Tax; Deferral of Tax for Certain Elderly and Disabled

5. Summary/Purpose:

This bill would authorize local governments to extend real estate tax relief for the elderly and disabled to dwellings jointly held between individuals, not all of whom are at least age 65 or permanently and totally disabled. Under the provisions of this bill, the tax relief would be prorated based on the percentage of ownership interest in the dwelling held by all joint owners who satisfy the age or disability requirements. The proration formula would not be applied to property held jointly by husband and wife if one of the spouses does not satisfy the age or disability requirement.

Under current law, the only jointly owned dwellings that qualify for real estate tax relief for the elderly and disabled are dwellings jointly owned by a husband and wife. The tax relief is not prorated in such situations.

The effective date of this bill is not specified.

6. Fiscal Impact Estimates are: Not Available (See Line 8)

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill is not expected to have any impact on state revenues. The immediate impact on local revenues is uncertain because localities may or may not exercise the authority to expand the exemption for real property that is jointly owned, when all of the owners do not meet the disability or age requirements.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No.

11. Other comments:

Generally

The exemption/deferral programs for the elderly or handicapped 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. The law authorizes localities, by ordinance, to provide for the exemption from or deferral of that portion of the tax which represents the increase in tax liability since the year the taxpayer reached the age of 65 or became disabled, or the year such ordinance became effective, whichever is later. Income and net financial worth restrictions were incorporated in the exemption/deferral programs to direct tax relief to those whose incomes and financial worth were sufficiently low to merit such relief.

Under current law, the real estate must be owned by and occupied as the sole dwelling of an individual who is either 65 years of age or older or who is found to be permanently and totally disabled. While the law permits the real estate to be jointly owned by husband and wife, provided at least one spouse meets the age or disability requirement, in all other instances in which there is joint ownership, all owners must meet the age or disability requirements.

Proposal

This bill would authorize local governing bodies, by ordinance, to extend the real estate tax relief for the elderly or disabled to dwellings that are jointly held by individuals, when all of the owners do not meet the age or disability requirements. In these instances, the tax relief would be prorated by multiplying the amount of the exemption or deferral by a fraction that has as its numerator the percentage of ownership interest in the dwelling held by all of the joint owners who meet the age or disability requirements, and as its denominator, 100%. In order to be eligible for the exemption or deferral program, the joint owners of the dwelling would be required to furnish sufficient evidence to the relevant local officer of each of their ownership interests in the dwelling.

Similar Legislation

House Bill 2283 would create a formula for determining net financial worth with regard to deferring or exempting real estate tax for the elderly and disabled in certain localities. The net combined financial worth would be determined as the portion of net combined financial worth equal to the percentage of total combined income derived from pension or social security income.

House Bill 2641 would require indexing the income limits annually based on the percentage change in the Consumer Price Index for All Urban Consumers for purposes of the real property tax exemptions for elderly and disabled.

House Bill 2909 would allow localities to grant higher percentages of tax relief to the elderly based on increasing age, especially for those who are 75 years of age and older.

House Bill 1744 would increase the income limit for elderly and disabled taxpayers in certain Northern Virginia localities from $72,000 to $75,000 for real property tax exemptions.

Senate Bill 788 would increase from $52,000 to $62,000 the income limit in certain cities and counties for eligibility for deferral and exemption programs provided to the elderly and disabled.

cc : Secretary of Finance

Date: 1/13/2007 KP
DLAS File Name: SB1265F161