

# DEPARTMENT OF TAXATION

## 2008 Fiscal Impact Statement

1. **Patron** Beverly J. Sherwood

2. **Bill Number** HB 163

3. **Committee** Senate Finance

**House of Origin:**

       **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Real Property Tax; Exemption and Deferral  
for the Elderly and Permanently and Totally  
Disabled.

**Second House:**

  X   **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would authorize localities to allow by ordinance a real property tax exemption or deferral to an elderly or handicapped person based on the applicant's current year's income and financial worth. The bill would require the applicant to file an affidavit to demonstrate a substantial change of circumstances that would result in income and financial worth levels that are within the limitations of the ordinance.

Under current law, eligibility for a locality's exemption or deferral program is typically based on the applicant's income and net worth in the previous year. Any locality may by ordinance provide a prorated exemption or deferral for the portion of the taxable year during which the taxpayer qualified for such exemption or deferral.

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 would have no impact on state revenues. The immediate impact on local revenues is uncertain because it is not known whether localities would exercise the authority granted by this bill and whether more properties would thereby qualify for the exemption or deferral programs. The revenue impact on each locality would be dependent upon the assessed value of property subject to the exemption or deferral.

### 9. **Specific agency or political subdivisions affected:**

All localities

10. **Technical amendment necessary:** No.

## 11. Other comments:

### Current Law

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. 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.

In order to qualify for a real estate tax exemption or deferral, an elderly or disabled individual's total combined gross income from all sources, including the income of relatives living in the dwelling may not exceed \$50,000 during the previous year. The net combined financial worth of the applicant and spouse may not exceed \$200,000, but localities may annually increase net worth limitations by a percentage equal to the Consumer Price Index to account for inflation.

Several localities are authorized to use higher total income and combined net worth limits.

The following cities and counties are authorized to increase their income limits to \$62,000 and their net worth limits to \$350,000:

- Cities of Charlottesville, Chesapeake, Norfolk, Portsmouth, Richmond, Suffolk, and Virginia Beach
- Counties of Chesterfield, Goochland, and Henrico

In 2007, the General Assembly increased the income limitation for these localities from \$52,000 to \$62,000.

The following cities and counties are authorized to increase their income limits to \$75,000 and their net worth limits to \$540,000:

- Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park
- Counties of Arlington, Clarke, Fairfax, Fauquier, Loudoun, Prince William, and Stafford

In 2007, the General Assembly increased the income limitation for these localities from \$72,000 to \$75,000.

### Proposal

This bill would authorize localities to allow by ordinance a real property tax exemption or deferral to an elderly or handicapped based on the applicant's current year's income and

financial worth. The bill would require the applicant to file an affidavit to demonstrate a substantial change of circumstances, that was not volitional on the part of the individual, that would result in income and financial worth levels that are within the limitations of the ordinance.

Additionally, the applicant would be required to file another affidavit after the end of the year in which the exemption or deferral was granted, stating that the applicant's actual income and financial worth levels were within the limitations set by the ordinance. If the actual income and financial worth levels exceeded such limitations any exemption or deferral would be nullified for the current taxable year and the taxable year immediately following.

### Similar Bills

**House Bill 698** would add the Cities of Hampton and Newport News and the Counties of Powhatan and Hanover to the list of cities and counties authorized to use an income limitation of \$62,000 and a net worth limitation of \$350,000 to qualify for real estate tax relief.

**House Bill 1479** would allow exemption and deferral programs for the elderly and handicapped to include the income of nonrelatives living in the applicant's dwelling, except for bona fide tenants or bona fide caregivers, when computing the maximum income limits to be eligible for the tax relief.

**House Bill 1503** would raise the maximum income eligibility restrictions from \$62,000 to 67,000 in the Cities of Charlottesville, Chesapeake, Norfolk, Portsmouth, Richmond, Suffolk, and Virginia Beach and the Counties of Chesterfield, Goochland, and Henrico.

**Senate Bill 203** would raise the maximum income eligibility restrictions from \$62,000 to 67,000 in the Cities of Charlottesville, Chesapeake, Norfolk, Portsmouth, Richmond, Suffolk, and Virginia Beach and the Counties of Chesterfield, Goochland, and Henrico.

**Senate Bill 283** would add the City of Newport News to the list of cities and counties authorized to use an income limitation of \$62,000 and a net worth limitation of \$350,000 to qualify for real estate tax relief and increase the income limitation to \$67,000.

cc : Secretary of Finance

Date: 2/11/2008 jkl  
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