DEPARTMENT OF TAXATION
2008 Fiscal Impact Statement

REVISED
1/19/2008

1. **Patron** George L. Barker

2. **Bill Number** SB 289
   House of Origin:
   X **Introduced**
   ____ **Substitute**
   ____ **Engrossed**

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

3. **Committee** Senate Finance

4. **Title** Real Property Tax; Deferral Programs.

5. **Summary/Purpose:**

   This bill would clarify that localities can provide a 100 percent deferral of real property taxes on property covered under the locality's deferral program and owned by a taxpayer who is at least 65 years old.

   Under current law, any locality may adopt a deferral program that allows taxpayers the option of deferring all or any portion of the real property tax that exceeds 105 percent of the real property tax on such property in the previous tax year. The locality may adopt a higher minimum percentage increase figure.

   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 will have no impact on state revenues. Localities that use the authority granted by this bill may experience decreased revenues to the extent that they allow taxpayers over 65 years old to defer 100 percent of real property taxes.

9. **Specific agency or political subdivisions affected:** All localities.

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

11. **Other comments:**

    Current Law

    Any locality may adopt, by ordinance, a deferral program for real estate taxes. The locality must adopt, by ordinance, the terms and conditions of the program and whether the deferral program shall apply only to real estate owned by and occupied as the sole dwelling of the taxpayer or whether the program shall apply to all property.

The deferral program allows the taxpayer the option of deferring all or any portion of the real estate tax that exceeds 105 percent of the real estate tax on such property owned by the taxpayer in the previous tax year. The locality may adopt a higher minimum percentage increase amount.

The deferred amount is be subject to interest computed at a rate established by the locality, not to exceed the rate established pursuant to § 6621 of the Internal Revenue Code. The accumulated amount of taxes deferred and interest shall be paid to the locality by the owner upon the sale or transfer of the property, or from the estate of the decedent within one year after the death of the owner. The accumulated amount of tax deferred and interest constitutes a lien upon the real estate.

The deferral program cannot apply to real estate which participates in the real estate tax relief or deferral program for the elderly or disabled, individuals who are delinquent on any portion of real estate taxes for which deferral is sought, nor real estate assessed on the basis of use value.

Currently, localities are also authorized to provide exemption/deferral programs which provide tax relief for persons sixty-five years of age or older and for those who are permanently and totally disabled. A locality may elect to adopt an exemption program, a deferral program, both or neither. Income and net financial worth restrictions are incorporated in these exemption/deferral programs to direct tax relief to those whose incomes and financial worth was sufficiently low to merit such relief.

Proposal

This bill would clarify that localities can provide 100 percent deferral of the real estate tax imposed upon property that is covered under the locality's deferral program and owned by taxpayers who are at least 65 years old.

Similar Legislation

House Bill 163 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.

House Bill 183 would place the legal presence requirement on applicants for the property tax exemption/deferral program for the elderly or handicapped.

House Bill 270 would raise the maximum income eligibility restrictions from $62,000 to 65,000 in the Cities of Charlottesville, Chesapeake, Norfolk, Portsmouth, Richmond, Suffolk, and Virginia Beach and the Counties of Chesterfield, Goochland, and Henrico.

House Bill 465 would provide an alternate formula for determining net combined financial worth that allows individuals who depend on investment income rather than pension income to qualify for real estate tax relief.

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 Southeastern and Central Virginia cities and counties authorized to use higher income and net worth limits to qualify for real estate tax relief.

Senate Bill 425 would authorize counties, cities, and towns to require that persons seeking real estate tax exemptions and deferrals under current law demonstrate that they have the legal right to be present in the United States in order to be eligible.

cc : Secretary of Finance

Date: 1/19/2008jkl
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