

**DEPARTMENT OF TAXATION
2012 Fiscal Impact Statement**

REVISED 1/27

1. Patron John M. O'Bannon, III

2. Bill Number HB 190

3. Committee House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. Title Real Property Tax; Rules for Disabled
Veterans Exemption

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

The Department understands that the patron plans to introduce a substitute bill. This impact statement addresses the substitute bill.

This bill would require the Commissioner of the Department of Veterans Services to promulgate rules and regulations governing the administration and implementation of the real property tax exemption for disabled veterans. The Commissioner of the Department of Veterans Services would be authorized to provide written guidance to, and respond to requests for information from, veterans regarding the real property tax exemption. The Department of Veterans Services would also make determinations on appeals to him by taxpayers whose application for the real property tax exemption for disabled veterans has been denied.

This bill contains an emergency clause and would be in force from its passage.

6. Budget amendment necessary: Yes.

ITEM(S): 464, Department of Veterans Services

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

8. Fiscal implications:

The Department of Veterans Services estimates that it would incur administrative costs of \$80,000 each fiscal year to manage the program.

9. Specific agency or political subdivisions affected:

Department of Veterans Services

All localities

10. Technical amendment necessary: No.

11. Other comments:

Disabled Veterans Real Property Tax Exemption

During the 2010 Virginia General Assembly Session, Senate Bill 31 and several companion resolutions were introduced to amend the Constitution to provide that the General Assembly by general law shall exempt from the real property tax the principal residence of any veteran who has been determined to have a 100% service-connected permanent and total disability. Senate Bill 31 provided that, upon receiving the required number of votes at the November 2010 election, the constitutional amendment would take effect on January 1, 2011. As the amendment required the General Assembly to provide the exemption by general law, legislation was required to be enacted in the 2011 General Assembly Session for the exemption to apply.

House Bill 1645 and Senate Bill 987 (*Acts of Assembly* 2011, Chapters 769 and 840) provided the necessary statutory authorization to exempt from taxation, for tax years beginning on or after January 1, 2011, real property that is the principal residence of a veteran (or widow or widower of a veteran) if 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. A maximum of one acre of the land upon which the dwelling is situated is also exempt from taxation. However, if the locality provides for an exemption or deferral of real property taxes of more than one acre for the elderly and handicapped, the locality must also provide an exemption of the same number of acres for qualifying veterans and surviving spouses. The surviving spouse of a veteran is eligible for the exemption, so long as the death of the veteran occurs on or after January 1, 2011, the surviving spouse does not remarry, and the surviving spouse continues to occupy the real property as his principal place of residence.

The veteran or surviving spouse claiming the exemption must file with the commissioner of the revenue in which the property is located, on forms to be supplied by the locality, an affidavit or written statement setting forth the name of the veteran and spouse, if any, and whether the real property is jointly owned, and must certify that the property is occupied as the veteran's principal place of residence. The veteran must also provide documentation from the U.S. Department of Veterans Affairs or its successor agency pursuant to federal law to have a 100 percent combat-related, permanent, and total disability. If applicable, the surviving spouse must also provide documentation that the veteran's death occurred on or after January 1, 2011.

Proposal

This bill would require the Commissioner of the Department of Veterans Services to promulgate rules and regulations governing the administration and implementation of the real property tax exemption for disabled veterans. The bill would also exempt the Department of Veterans Services from the Administrative Process Act. The Department of Veterans Services would be authorized to provide written guidance to, and respond to requests for information from, veterans regarding the real property tax exemption.

The Commissioner of the Department of Veterans Services would also make determinations on appeals to him by taxpayers whose application for the real property tax

exemption for disabled veterans has been denied. The taxpayer would be required to file an appeal within one year of either the date of the denial of the exemption, the last day of the tax year for which an assessment was made, or from the date of such assessment, which is latest. The Commissioner of the Department of Veterans Services would be required to determine whether he has jurisdiction to hear the appeal within 30 days of receipt. Following the issuance of a final determination by the Department of Veterans Services, the taxpayer or assessing official may apply to the appropriate circuit court for judicial review.

This bill contains an emergency clause and would be in force from its passage.

Similar Legislation

House Bill 922, Senate Bill 529, and Senate Bill 540 would provide that the real property tax exemption for disabled veterans also applies to real property i) held by a veteran alone or in conjunction with the veteran's spouse as tenant or tenants for life or joint lives; ii) held in a revocable *inter vivos* trust under which the veteran or the veteran and his spouse hold the power of revocation, and iii) held in an irrevocable trust under which the veteran alone or in conjunction with his spouse possesses a life estate or an estate for joint lives or enjoys a continuing right of use or support.

House Bill 933 would provide that the real property tax exemption for disabled veterans for qualifying property acquired after January 1, 2011 shall begin on the date the property is acquired. The bill would also provide that any taxpayer whose property is acquired or taken by a disabled veteran shall be relieved from real property taxes from the date of divestment and may be entitled to a refund for a pro rata portion of real property taxes paid for such property acquired by a disabled veteran after January 1, 2011.

Senate Bill 22 would clarify that the real property tax exemption for disabled veterans who are rated as having a 100 percent service-connected, permanent, and total disability after January 1, 2011 shall begin the date of such rating.

cc : Secretary of Finance

Date: 1/31/2012 AM
DLAS File Name: HB190F161