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HOUSE BILL NO. 421

Offered January 13, 2016

Prefiled January 7, 2016

A BILL to amend and reenact §§ 58.1-3219.5 and 58.1-3219.9 of the Code of Virginia, relating to real property tax exemptions for veterans with a service-connected disability and surviving spouses of members of the armed forces killed in action.

Patron—Helsel

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-3219.5 and 58.1-3219.9 of the Code of Virginia are amended and reenacted as follows:

§ 58.1-3219.5. Exemption from taxes on property for disabled veterans.

A. Pursuant to subdivision (a) of Section 6-A of Article X of the Constitution of Virginia, and for tax years beginning on or after January 1, 2011, the General Assembly hereby exempts from taxation the real property, including the joint real property of husband and wife, of any veteran who has been rated by the U.S. Department of Veterans Affairs or its successor agency pursuant to federal law to have a 100 percent service-connected, permanent, and total disability, and who occupies the real property as his principal place of residence. If the veteran's disability rating occurs after January 1, 2011, and he has a qualified primary residence on the date of the rating, then the exemption for him under this section begins on the date of such rating. However, no county, city, or town shall be liable for any interest on any refund due to the veteran for taxes paid prior to the veteran's filing of the affidavit or written statement required by § 58.1-3219.6. If the qualified veteran acquires the property after January 1, 2011, then the exemption shall begin on the date of acquisition, and the previous owner may be entitled to a refund for a pro rata portion of real property taxes paid pursuant to § 58.1-3360.

B. The surviving spouse of a veteran eligible for the exemption set forth in this article shall also qualify 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.

C. A county, city, or town shall provide for the exemption from real property taxes the qualifying dwelling pursuant to this section, and shall provide for the exemption from real property taxes the land, not exceeding one acre, upon which it is situated. However, if a county, city, or town provides for an exemption from or deferral of real property taxes of more than one acre of land pursuant to Article 2 (§ 58.1-3210 et seq.), then the county, city, or town shall also provide an exemption for the same number of acres pursuant to this section. *A real property improvement other than a dwelling, including the land upon which such improvement is situated, made to such one acre or greater number of acres exempt from taxation pursuant to this subsection shall also be exempt from taxation so long as the principal use of the improvement is for other than a business purpose.*

D. For purposes of this exemption, real property of any veteran includes 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 over which the veteran or the veteran and his spouse hold the power of revocation, or (iii) held in an irrevocable trust under which a 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. The term does not include any interest held under a leasehold or term of years.

The exemption for a surviving spouse under subsection B includes real property (a) held by the veteran's spouse as tenant for life, (b) held in a revocable inter vivos trust over which the surviving spouse holds the power of revocation, or (c) held in an irrevocable trust under which the surviving spouse possesses a life estate or enjoys a continuing right of use or support. The exemption does not apply to any interest held under a leasehold or term of years.

E. 1. In the event that (i) a person is entitled to an exemption under this section by virtue of holding the property in any of the three ways set forth in subsection D and (ii) one or more other persons have an ownership interest in the property that permits them to occupy the property, then the tax exemption for the property that otherwise would have been provided shall be prorated by multiplying the amount of the exemption by a fraction that has as a numerator the number of people who are qualified for the exemption pursuant to this section and has as a denominator the total number of all people having an ownership interest that permits them to occupy the property.

2. In the event that the primary residence is jointly owned by two or more individuals, not all of

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59 whom qualify for the exemption pursuant to subsection A or B, and no person is entitled to the
60 exemption under this section by virtue of holding the property in any of the three ways set forth in
61 subsection D, then the exemption shall be prorated by multiplying the amount of the exemption or
62 deferral by a fraction that has as a numerator the percentage of ownership interest in the dwelling held
63 by all such joint owners who qualify for the exemption pursuant to subsections A and B, and as a
64 denominator, 100 percent.

65 **§ 58.1-3219.9. Exemption from taxes on property of surviving spouses of members of the armed**
66 **forces killed in action.**

67 A. Pursuant to subdivision (b) of Section 6-A of Article X of the Constitution of Virginia, and for
68 tax years beginning on or after January 1, 2015, the General Assembly hereby exempts from taxation
69 the real property described in subsection B of the surviving spouse (i) of any member of the armed
70 forces of the United States who was killed in action as determined by the United States Department of
71 Defense and (ii) who occupies the real property as his principal place of residence. If such member of
72 the armed forces of the United States is killed in action after January 1, 2015, and the surviving spouse
73 has a qualified principal residence on the date that such member of the armed forces is killed in action,
74 then the exemption for the surviving spouse shall begin on the date that such member of the armed
75 forces is killed in action. However, no county, city, or town shall be liable for any interest on any
76 refund due to the surviving spouse for taxes paid prior to the surviving spouse's filing of the affidavit or
77 written statement required by § 58.1-3219.10. If the surviving spouse acquires the property after January
78 1, 2015, then the exemption shall begin on the date of acquisition, and the previous owner may be
79 entitled to a refund for a pro rata portion of real property taxes paid pursuant to § 58.1-3360.

80 B. Those dwellings in the locality with assessed values in the most recently ended tax year that are
81 not in excess of the average assessed value for such year of a dwelling situated on property that is
82 zoned as single family residential shall qualify for a total exemption from real property taxes under this
83 article. If the value of a dwelling is in excess of the average assessed value as described in this
84 subsection, then only that portion of the assessed value in excess of the average assessed value shall be
85 subject to real property taxes, and the portion of the assessed value that is not in excess of the average
86 assessed value shall be exempt from real property taxes. Single family homes, condominiums, town
87 homes, and other types of dwellings of surviving spouses that (i) meet this requirement and (ii) are
88 occupied by such persons as their principal place of residence shall qualify for the real property tax
89 exemption.

90 For purposes of determining whether a dwelling, or a portion of its value, is exempt from county and
91 town real property taxes, the average assessed value shall be such average for all dwellings located
92 within the county that are situated on property zoned as single family residential.

93 C. The surviving spouse of a member of the armed forces killed in action shall qualify for the
94 exemption so long as the surviving spouse does not remarry and continues to occupy the real property
95 as his principal place of residence. The exemption applies without any restriction on the spouse's moving
96 to a different principal place of residence.

97 D. A county, city, or town shall provide for the exemption from real property taxes (i) the qualifying
98 dwelling, or the portion of the value of such dwelling and land that qualifies for the exemption pursuant
99 to subsection B, and (ii) the land, not exceeding one acre, upon which it is situated. However, if a
100 county, city, or town provides for an exemption from or deferral of real property taxes of more than one
101 acre of land pursuant to Article 2 (§ 58.1-3210 et seq.), then the county, city, or town shall also provide
102 an exemption for the same number of acres pursuant to this section. *A real property improvement other*
103 *than a dwelling, including the land upon which such improvement is situated, made to such one acre or*
104 *greater number of acres exempt from taxation pursuant to this subsection shall also be exempt from*
105 *taxation so long as the principal use of the improvement is for other than a business purpose.*

106 E. For purposes of this exemption, real property of any surviving spouse of a member of the armed
107 forces killed in action includes real property (i) held by a surviving spouse as a tenant for life, (ii) held
108 in a revocable inter vivos trust over which the surviving spouse holds the power of revocation, or (iii)
109 held in an irrevocable trust under which the surviving spouse possesses a life estate or enjoys a
110 continuing right of use or support. The term does not include any interest held under a leasehold or term
111 of years.

112 F. 1. In the event that (i) a surviving spouse is entitled to an exemption under this section by virtue
113 of holding the property in any of the three ways set forth in subsection E and (ii) one or more other
114 persons have an ownership interest in the property that permits them to occupy the property, then the
115 tax exemption for the property that otherwise would have been provided shall be prorated by
116 multiplying the amount of the exemption by a fraction that has 1 as a numerator and has as a
117 denominator the total number of all people having an ownership interest that permits them to occupy the
118 property.

119 2. In the event that the principal residence is jointly owned by two or more individuals including the
120 surviving spouse, and no person is entitled to the exemption under this section by virtue of holding the

121 property in any of the three ways set forth in subsection E, then the exemption shall be prorated by
122 multiplying the amount of the exemption by a fraction that has as a numerator the percentage of
123 ownership interest in the dwelling held by the surviving spouse, and as a denominator, 100 percent.
124 **2. That the provisions of this act shall become effective for tax years beginning on or after**
125 **January 1, 2017.**

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