

DEPARTMENT OF TAXATION

2016 Fiscal Impact Statement

1. **Patron** Gordon C. Helsel, Jr.

3. **Committee** House Finance

4. **Title** Real Property Tax; Exemptions for Disabled Veterans and Spouses of Soldiers Killed in Action

2. **Bill Number** HB 421

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would extend the real property tax exemptions for certain disabled veterans and surviving spouses of members of the armed forces killed in action to include real property improvements made to the land surrounding residences qualifying for the exemptions so long as the principal use of the improvement is for other than a business purpose.

Under current law, the principal residence of a surviving spouse of any member of the armed forces of the United States who was killed in action or a veteran (or widow or widower of a veteran) who has been determined to have a 100 percent service-connected, permanent, and total disability is exempt from real property taxation. The land, not to exceed one acre, 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 disabled veterans and surviving spouses and surviving spouses of soldiers killed in action.

The effective date of this bill is not specified.

6. Budget amendment necessary: No.

7. Fiscal Impact Estimates are: Not available. (See Line 8.)

8. Fiscal implications:

To the extent that the bill would extend the real property tax exemptions for certain disabled veterans and surviving spouses of members of the armed forces killed in action to include additional real property improvements, the bill would result in an unknown revenue loss to localities. This bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No.

11. Other comments:

Exemption for Surviving Spouses of Soldiers Killed in Action

Legislation enacted in the 2014 General Assembly Session, House Bill 46 (*Acts of Assembly* 2014, Chapters 757), provided the necessary statutory authorization required by the constitutional amendment to Article X, § 6 of the *Constitution of Virginia*, adopted by voters authorizing the General Assembly to exempt from taxation real property that is the principal residence of a surviving spouse of any member of the armed forces of the United States who was killed in action as determined by the Department of Defense. The constitutional amendment was adopted by voters and became effective January 1, 2015.

Under current law, the real property tax exemption for surviving spouses of soldiers killed in action applies to the principal place of residence with an assessed value not exceeding the average assessed value of all dwellings located within the locality that are zoned as single family residential. For principal places of residence that are assessed at more than the average assessed value of all dwellings located within the locality that are zoned as single family residential, the exemption only applies to the portion of the assessed value of that does not exceed the average assessed value of all dwellings located within the locality that are zoned as single family residential. The exemption applies without any restriction on the surviving spouse moving to a different principal place of residence.

Exemption for Disabled Veterans

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. 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.

Qualifying Land

For both the real property tax exemption for surviving spouses of soldiers killed in action and the real property tax exemption for disabled veterans, the land upon which the dwelling is situated, not to exceed one acre, 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 disabled veterans and surviving spouses and surviving spouses of soldiers killed in action. If the real property is jointly owned by one or more persons and not all persons qualify for the exemption, then the exemption shall be prorated based on the ownership interest of all joint owners.

Proposal

This bill would extend the real property tax exemptions for certain disabled veterans and surviving spouses of members of the armed forces killed in action to include real property improvements made to the land surrounding the residences qualifying for the exemptions so long as the principal use of the improvement is for other than a business purpose.

The effective date of this bill is not specified.

Similar Legislation

House Bill 127 and **Senate Bill 99** would expand the definition of “killed in action,” for purposes of the real property tax exemption for the principal place of residence of a surviving spouse of a soldier killed in action, to include the death of a member of the armed forces of the United States caused by wounds received in action after such member of the armed forces reaches a medical treatment center.

cc : Secretary of Finance

Date: 1/17/2016 AM
DLAS File Name: HB421F161