

**DEPARTMENT OF TAXATION
2016 Fiscal Impact Statement**

1. **Patron** John A Cosgrove
3. **Committee** Passed House and Senate
4. **Title** Real Property Tax; Exemption for Spouses
of Soldiers Killed in Action

2. **Bill Number** SB 99
House of Origin:
 Introduced
 Substitute
 Engrossed
- Second House:**
 In Committee
 Substitute
 X **Enrolled**

5. Summary/Purpose:

This bill would expand the determination of “killed in action” as determined by the U.S. Department of Defense, 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 determination of “died of wounds received in action” by the U.S. Department of Defense.

Legislation enacted in the 2014 General Assembly Session 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.

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 exemption to surviving spouses of members of the armed forces who died from wounds received in action as determined by the U.S. Department of Defense, the bill would result in an unknown revenue loss to localities. In 2013, the Joint Legislative Audit and Review Commission estimated that providing a real property tax exemption for surviving spouses of soldiers killed in action would result in a revenue loss of approximately \$1,749,000 to \$8,688,000 for the first full fiscal year it was enacted. 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:

Current Exemption

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.

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 veterans and surviving spouses. 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.

Categories of Hostile Casualties

The Department of Defense defines a "casualty" as any soldier who is lost to his or her organization or unit. The Department of Defense classifies casualties as "hostile" if sustained as the direct result of combat between United States forces and opposing forces, or if sustained going to or returning from a combat mission if the occurrence was directly related to that mission; this definition excludes injuries or deaths due to the elements, self-inflicted wounds, or combat fatigue. The Department of Defense's published casualty statistics provides three categories of hostile casualties: 1) "killed in action," those who die immediately on the battlefield; 2) "died of wounds" or "died of wounds received in action," those who die of wounds or other injuries received in action after having reached a medical treatment facility; and 3) "wounded in action," those who survive their injuries beyond initial hospitalization.

Proposal

This bill would expand the determination of “killed in action” as determined by the U.S. Department of Defense, 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 determination of “died of wounds received in action” by the U.S. Department of Defense.

The effective date of this bill is not specified.

Similar Legislation

House Bill 127 is substantially similar to this bill, except that it would expand the definition of “killed in action” to include the death of a member of the armed forces of the United States caused by wounds received in action, including when in transport to or while at a medical treatment center. As the bill has passed the House and the Senate in different forms, a conference committee has been requested.

House Bill 421 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 so long as the principal use of the improvement is to house or cover motor vehicles or household goods and personal effects for other than a business purpose.

House Bill 1203 and **Senate Bill 366** would clarify that houses, manufactured homes, and other types of dwellings owned by and the residence of certain disabled veterans or surviving spouses of disabled veterans and members of the armed forces killed in action qualify for real property tax exemptions, even if the disabled veteran or surviving spouse does not own the land on which the residence is located. The bill would provide that such manufactured homes would qualify for the real property tax exemptions regardless of whether the equipment previously used for mobility has been removed and the manufactured home converted to real property.

cc : Secretary of Finance

Date: 3/3/2016 AM
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