DEPARTMENT OF TAXATION
2019 Fiscal Impact Statement

1. Patron Riley E. Ingram

2. Bill Number HB 2150

House of Origin:
_____ **Introduced**
_____ **Substitute**
_____ **Engrossed**

Second House:
_____ **In Committee**
_____ **Substitute**
__X__ **Enrolled**

3. Committee Passed House and Senate

4. Title Real Property; Tax Exemption for Elderly and Disabled; Improvements to a Dwelling

5. Summary/Purpose:

This bill would clarify the definition of "dwelling" for purposes of the real property tax exemption for owners who are 65 years of age or older or permanently and totally disabled, to include improvements to the exempt land that are not used for a business purpose and are used to house certain motor vehicles or household goods.

This bill would be effective July 1, 2019.

6. Budget amendment necessary: No

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

8. Fiscal implications:

<u>Administrative Costs</u>

This bill could have an unknown impact on localities' administrative costs. It would have no impact on state administrative costs.

<u>Revenue Impact</u>

This bill could have an unknown impact on local revenues. It would have no impact of state revenues.

9. Specific agency or political subdivisions affected: Counties, cities and towns

10. Technical amendment necessary: No

11. Other comments:

Current Law

The Constitution of Virginia grants the General Assembly the authority to allow localities to exempt from local property tax real property designed for continuous habitation, owned by, and occupied as the sole dwelling of persons not less than 65 years of age, or persons permanently and totally disabled. Under the Constitution, the General Assembly has the authority to restrict or condition this exemption, but may not expand it.

Pursuant to this constitutional authority, Virginia law authorizes localities to adopt exemption and deferral programs for the elderly or handicapped to provide tax relief for persons sixty-five years of age or older and for those who are permanently and totally disabled. The governing body of any locality may elect to adopt an exemption program, a deferral program, a combination of both, or none of the above. Localities that provide such programs may exempt or defer the real property taxes of the qualifying dwelling and the land, not exceeding ten acres, upon which it is situated.

Eligible Taxpayers and Property

In order to be granted real property tax relief, qualifying property must be owned by and occupied as the sole dwelling of a person who is at least 65 years of age, or, if the local ordinance provides, any person with a permanent disability. Dwellings jointly held by spouses, with no other joint owners, qualify if either spouse is 65 or over or permanently and totally disabled.

Dwellings jointly held by two or more individuals qualify, even if all the owners are not at least 65 or permanently and totally disabled, provided the dwelling is occupied as the sole dwelling by all such joint owners. In this scenario, the tax exemption or deferral is prorated using a formula that takes into account the percentage of ownership interest in the dwelling held by those joint owners who are at least age 65 or have a permanent and total disability.

Financial Worth and Income Limitations

Prior to 2010, the Code of Virginia specified the net financial worth and income limitations an individual had to meet in order to qualify for exemption or deferral from real property taxes. Some localities were statutorily granted authority to increase their income limits to certain specified amounts.

On November 2, 2010, voters approved a constitutional amendment to Article X, § 6 of the Constitution of Virginia, authorizing the General Assembly to permit localities to establish their own income or financial worth limitations for purposes of granting property tax relief for homeowners who are 65 years of age or older or permanently and totally disabled. The General Assembly subsequently enacted legislation, effective for tax years beginning on or after January 1, 2011 authorizing local governing bodies to establish by ordinance their own net financial worth or annual income limitations as a condition of eligibility for any exemption or deferral of real property tax. For those localities that establish annual income limitations, the law now provides that annual income must be computed by adding together the total income received during the preceding calendar year, without regard to whether a tax return is actually filed, of (i) owners of the dwelling who use it as their principal residence, (ii) owners' relatives who live in the dwelling, except for those relatives living in the dwelling and providing bona fide caregiving services to the owner whether such relatives are compensated or not, and (iii) at the option of each locality, nonrelatives of the owner who live in the dwelling except for bona fide tenants or bona fide caregivers of the owner, whether compensated or not.

Proposal

This bill would clarify the definition of "dwelling", for purposes of the real property tax exemption for owners who are 65 years of age or older or permanently and totally disabled, to include certain improvements to the exempt land and the land on which the improvements are situated.

The bill defines the term "dwelling" to include an improvement to the land that is not used for a business purpose but is used to house certain motor vehicles or household goods.

This bill would be effective July 1, 2019.

Similar Legislation

Senate Bill 1196 is identical to this bill.

House Bill 1937 would provide that, if a locality has established a real estate tax exemption for the elderly and handicapped and enacted an income limitation related to the exemption, the locality may exclude, for purposes of the limitation, any disability income received by a family member or nonrelative who lives in the dwelling and who is permanently and totally disabled.

House Bill 1655 and **Senate Bill 1270** would allow surviving spouses of disabled veterans to continue to qualify for the real property exemption for such surviving spouses of disabled veterans regardless of whether the surviving spouse moves to a different residence. They also clarify that the same applies to spouses of members of the armed forces killed in action, and spouses of persons killed in the line of duty.

cc : Secretary of Finance

Date: 2/21/2019 SK
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