

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** Delores L. McQuinn

3. **Committee** House Finance

4. **Title** Real Property Tax; Homestead Tax Relief

2. **Bill Number** HB 1520

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would authorize localities to, by ordinance, establish a deferral of real property tax to allow a taxpayer to elect to defer all or any portion of 95 percent of the amount by which the real property tax levied on a homestead has increased from the year of purchase to the current year. The bill also requires that the deferral shall be subject to simple interest at a rate not to exceed five percent and that the property tax deferred and any interest due must be paid to the locality upon the sale or transfer of the homestead or from the estate of the decedent within one year after the death of the owner of the property.

Under current law, localities may, by ordinance, allow taxpayers to defer all or any portion of the real estate tax that exceeds a minimum percentage, to be established by the locality but at least 105 percent, of the real estate tax on such property owned by the taxpayer in the previous year. The deferred amount shall be subject to interest at a rate established by the locality.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

6. Budget amendment necessary: No.

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

8. Fiscal implications:

This bill would have an unknown negative revenue impact on localities which choose to exercise the authority granted by this bill.

This bill would have no impact on state revenues or administrative costs.

9. Specific agency or political subdivisions affected:

Localities that choose to establish a homestead deferral.

10. Technical amendment necessary: No.

11. Other comments:

Local Deferral of Real Estate Tax

Localities may establish deferral programs to allow taxpayers the option to defer all or any portion of the real estate tax that exceeds 105 percent of the real estate tax on such property owned by the taxpayer in the previous tax year. Localities may adopt a higher minimum percentage amount. Any such deferral shall be subject to interest at a rate to be established by the locality but not to exceed the rate established pursuant to § 6621 of the Internal Revenue Code. Section 6621 provides that such rate is to be the federal short-term rate plus three percentage points.

The accumulated amount of taxes deferred and interest shall be paid to the locality by the owner upon the sale or transfer of the property, or from the estate of the decedent within one year after the death of the owner. In the case of property owned jointly by multiple owners, all-of whom applied and qualified for the deferral, the death of one joint owner shall not disqualify the survivor(s) from participating in the deferral program.

The deferral program does not apply to real estate which participates in the real estate tax relief or deferral program for the elderly or permanently or totally disabled, persons who are delinquent on any portion of real estate taxes for which deferral is sought, or real estate assessed on the basis of use value.

Proposal

This bill would allow localities to, by ordinance, establish a deferral of real property tax to allow a taxpayer to elect to defer all or any portion of 95 percent of the amount by which the real property tax levied on a homestead has increased from the year of purchase to the current year. The bill also requires that the deferral shall be subject to simple interest at a rate not to exceed five percent and that the property tax deferred and any interest due must be paid to the locality upon the sale or transfer of the homestead or from the estate of the decedent within one year after the death of the owner of the property. The bill would define "homestead" as real property owned by and occupied as the sole dwelling of the taxpayer, provided that the levy in the current year has increased at least 25 percent over the levy on the property for the entire year in which the taxpayer purchased and occupied the property as their sole dwelling.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

Similar Legislation

House Bill 537 and **Senate Bill 727** would increase the maximum duration of a local real estate tax exemption for structures in redevelopment or conservation areas or rehabilitation districts from 15 to 30 years.

Senate Bill 763 would provide that the tax exemption for certain solar photovoltaic projects shall not be available to projects that begin construction after January 1, 2030.

cc : Secretary of Finance

Date: 1/14/2020 VB
HB1520F161