

# DEPARTMENT OF TAXATION

## 2024 Fiscal Impact Statement

1. **Patron** Jeremy S. McPike

2. **Bill Number** SB 240

3. **Committee** Senate Finance and Appropriations

**House of Origin:**

X **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Real Property Tax; Exemption for surviving spouses of a member of the armed forces who died in the line of duty

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would change the standard required for a surviving spouse of a member of the armed forces to qualify for the real property tax exemption on their principal place of residence by requiring a Line of Duty determination from the U.S. Department of Defense, rather than a killed in action determination. This bill would also repeal a locality's ability to declare real property owned by a surviving spouse of a member of the armed forces with a Line of Duty determination from the U.S. Department of Defense, where such death was not the result of criminal conduct, to be a separate class of property for local taxation of real property.

Under current law, localities are authorized to provide a real property tax exemption for real estate owned and occupied by a surviving spouse of any member of the armed forces who was killed in action as determined by the U.S. Department of Defense. In addition, any locality may declare real property owned by a surviving spouse of a member of the armed forces with a Line of Duty determination from the U.S. Department of Defense, where such death was not the result of criminal conduct, to be a separate class of property for local taxation of real property.

If a majority of those voting in the referendum at the November 5, 2024, election approve an amendment to the Constitution of Virginia that would expand this real property tax exemption, this bill would become effective on January 1, 2025.

6. **Budget amendment necessary:** No.

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

### 8. **Fiscal implications:**

#### Administrative Costs

This bill may have an unknown impact on local administrative costs. This bill would have no impact on state administrative costs.

## Revenue Impact

To the extent that this bill expands the existing real property tax exemption, the bill may have a negative impact to local revenues. 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 Members of the Armed Forces Killed in Action

Article X, Section 6-A of the Virginia Constitution and the Virginia Code exempt, for years beginning on or after January 1, 2015, from taxation the real property of the surviving spouse (i) of any member of the armed forces of the United States who was killed in action as determined by the U.S. Department of Defense and (ii) who occupies the real property as his principal place of residence. The determination of "killed in action" includes a determination by the U.S. Department of Defense of "died of wounds received in action." If such member of the armed forces of the United States is killed in action after January 1, 2015, and the surviving spouse has a qualified principal residence on the date that such member of the armed forces is killed in action, then the exemption for the surviving spouse begins on the date that such member of the armed forces is killed in action.

To qualify for the current exemption, the surviving spouse of a member of the Armed Forces killed in action must continue to occupy the same real property as a principal residence and the assessed value of the real property dwelling must be less than the average assessed value of all dwellings located within the locality that are zoned as single family residential. 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. The exemption would cease if the surviving spouse remarries.

A Line of Duty determination includes servicemembers who incurred an injury or disease while in a qualified military duty status, whether it was aggravated by military duty, which lead to their death.

#### Classification of Real Property for Surviving Spouses of a Member of the Armed Forces Who Died in the Line of Duty

Current law provides that, beginning with Taxable Year 2022, any locality may declare real property owned by a surviving spouse of a member of the Armed Forces of the United States who died in the line of duty with a line of duty determination from the U.S. Department

of Defense, where such death was not the result of criminal conduct, to be a separate class of property for local taxation of real property. Such classification would continue for as long as the spouse occupies the real property as his principal place of residence and does not remarry. This class of property may be taxed at a different rate than that imposed on the general class of real property, provided that the rate of tax is greater than zero and does not exceed the rate of tax on the general class of real property.

### Proposal

This bill would change the standard required for a surviving spouse of a member of the armed forces to qualify for the real property tax exemption on their principal place of residence by requiring a Line of Duty determination from the U.S. Department of Defense, rather than a killed in action determination. This bill would also repeal a locality's ability to declare real property owned by a surviving spouse of a member of the armed forces with a Line of Duty determination from the U.S. Department of Defense, where such death was not the result of criminal conduct, to be a separate class of property for local taxation of real property.

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cc : Secretary of Finance

Date: 1/22/2024 KS  
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