DEPARTMENT OF TAXATION
2025 Fiscal Impact Statement

1. **Patron** Phil M. Hernandez

2. **Bill Number** HB 2029
House of Origin:
X **Introduced**
____ **Substitute**
____ **Engrossed**

Second House:
____ **In Committee**
____ **Substitute**
____ **Enrolled**

3. **Committee** House Finance

4. **Title** Real property tax; Exemption for elderly and disabled individuals

5. **Summary/Purpose:**

This bill would allow a locality to require that an individual either, (i) pay all delinquent taxes, penalties, or interest assessed by the locality for the property that were incurred prior to becoming eligible for an exemption or deferral for the elderly or disabled, (ii) enter into an installment agreement with the locality for the payment of all such delinquent amounts in installments for a period not to exceed 72 months, (iii) enter into an agreement to settle and pay for less than the full amount owed, or (iv) a combination thereof.

Additionally, the bill would permit notice of the terms and conditions of the elderly or disabled exemption and deferral program be included in any notice of change in assessment and require the terms to be posted on the locality's website. This bill would allow localities to provide a prorated exemption or deferral for the portion of the taxable year during which the taxpayer would have qualified for such exemption or deferral but had not yet filed an application. The bill would limit any such proration or deferral to the taxable year in which the taxpayer qualified for such exemption or deferral and not any prior year.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

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

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

8. **Fiscal implications:**

<u>Administrative Costs</u>

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

Revenue Impact

This bill may have an unknown impact on local revenues but would have no impact on state revenue.

9. Specific agency or political subdivisions affected:

All localities that provide a tax exemption or deferral for the elderly or disabled

10. Technical amendment necessary: No.

11. Other comments:

Local Tax Exemption for the Elderly and Disabled

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.

Notice Requirements

Local treasurers are required to enclose written notice, in each real estate tax bill, of the terms and conditions of any local real estate tax exemption or deferral program established in the jurisdiction for the elderly and disabled.

Change in Circumstances and Proration

Current law requires that changes in income, financial worth, ownership of property or other factors occurring during the taxable year for which an affidavit is filed and having the effect of exceeding or violating the limitations and conditions provided by the local ordinance will nullify any exemption or deferral for the remainder of the current taxable year and the taxable year immediately following. However, any locality may, by ordinance, provide a prorated exemption or deferral for the portion of the taxable year during which the taxpayer qualified for such exemption or deferral.

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, by (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 allow a locality to require that an individual either, (i) pay all delinquent taxes, penalties, or interest assessed by the locality for the property that were incurred prior to becoming eligible for an exemption or deferral for the elderly or disabled, (ii) enter into an installment agreement with the locality for the payment of all such delinquent amounts in installments for a period not to exceed 72 months, (iii) enter into an agreement to settle and pay for less than the full amount owed, or (iv) a combination thereof.

Additionally, the bill would permit notice of the terms and conditions of the elderly or disabled exemption and deferral program be included in any notice of change in assessment and require the terms to be posted on the locality's website. This bill would allow localities to provide a prorated exemption or deferral for the portion of the taxable year during which the taxpayer would have qualified for such exemption or deferral but had not yet filed an application. The bill would limit any such proration or deferral to the taxable year in which the taxpayer qualified for such exemption or deferral and not any prior year.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

Similar Legislation

Senate Bill 816 would allow a locality to require that an individual pay, or enter into an installment agreement for up to 72 months to pay, all delinquent taxes or other amounts owed to the locality for the property that were incurred prior to becoming eligible for an exemption or deferral for the elderly or disabled. Additionally, the bill would amend the notice requirements for the elderly or disabled exemption and deferral program and also allow localities to prorate the exemption in certain circumstances.

cc: Secretary of Finance

Date: 01/14/2025 VB
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