

**DEPARTMENT OF TAXATION
2025 Fiscal Impact Statement**

1. **Patron** Jeremy S. McPike
3. **Committee** Senate Finance and Appropriations
4. **Title** Real property tax; High exemption locality reimbursements

2. **Bill Number** SB 1312
House of Origin:
 X **Introduced**
 Substitute
 Engrossed
- Second House:**
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would provide that in tax year 2025 and all tax years thereafter, a high exemption locality would be reimbursed by the Commonwealth for 50 percent of the exemption value multiplied by the 2022 effective real property tax rate in such locality.

Current law provides an exemption from real property tax for a qualifying dwelling or qualifying portion thereof, and up to one acre of land upon which such dwelling is situated, that are owned by either (i) a veteran who has a 100 percent service-connected, permanent, and total disability, or (ii) a surviving spouse of a member of the armed forces who died in the line of duty. However, no reimbursement is provided to localities for the cost of these exemptions.

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

6. **Budget amendment necessary:** Yes.
Item: 251, Department of Accounts

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

8. Fiscal implications:

Administrative Costs

The Department of Taxation considers implementation of this bill to be routine and does not require additional funding.

Revenue Impact

The estimated negative impact to general fund revenues as a result of the reimbursement to high exemption localities required by this bill would be approximately \$105.3 million based on data provided for 2023.

9. Specific agency or political subdivisions affected:

Localities that qualify as high exemption localities under the provisions of this bill

10. Technical amendment necessary: No.

11. Other comments:

Exemption for Disabled Veterans and Surviving Spouses

Authority granted by Article X, § 6-A of the *Constitution of Virginia* exempts from real property taxation (i) the qualifying dwelling or qualifying portion thereof, and (ii) up to one acre of land up on which such dwelling is situated, of a disabled veteran or the widow or widower of such a veteran. The exemption applies to tax years beginning on or after January 1, 2011, and requires that the veteran has been determined by the United States Department of Veterans Affairs or its successor agency pursuant to federal law to have a 100 percent service-connected, permanent, and total disability.

The surviving spouse of a veteran is eligible for the exemption so long as the death of the veteran occurred on or after January 1, 2011, the surviving spouse does not remarry, and the surviving spouse continues to occupy the real property as their principal residence.

Exemption for Surviving Spouses of Servicemembers who died in the Line of Duty

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 died in the line of duty as determined by the U.S. Department of Defense and (ii) who occupies the real property as his principal place of residence.

Proposal

This bill would provide that in tax year 2025 and all tax years thereafter, a high exemption locality would be reimbursed by the Commonwealth for 50 percent of the exemption value multiplied by the 2022 effective real property tax rate in such locality.

The bill would define “exemption value” as the true value of real property that is (i) exempt from taxation pursuant to the exemption available to disabled veterans or surviving spouses of members of the armed forces who died in the line of duty (ii) in a high exemption locality, and (iii) in excess of one percent of the total tax year 2022 true value of real property in such locality.

The bill would define “high exemption locality” as any locality in which at least one percent of real property was exempt from real property taxes in tax year 2022 pursuant to the exemption for either (i) disabled veterans or (ii) surviving spouses of members of the armed forces who died in the line of duty.

The bill would also require the Department to provide assistance and data to the commissioners of the revenue in administering the provisions of the bill. Such data and

information shall be made available in a manner that will allow for compliance with the provisions of this section. The bill would likewise require the commissioners of the revenue to timely provide to the Department or treasurer of the locality such data and information as may be required.

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

Similar Legislation

House Bill 2404 would clarify that any driveway used to access land otherwise exempt from real property taxes as being owned by either (i) a veteran who has a 100 percent service-connected, permanent, and total disability, or the widow or widower of such a veteran, or (ii) a surviving spouse of a member of the armed forces who died in the line of duty, shall be exempt from such taxation.

cc: Secretary of Finance

Date: 01/22/2025 VB
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