

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1143

Amendment Number: S2

Bill Subtitle: TO DEFINE "HOMESTEAD" FOR PURPOSES OF THE PROPERTY TAX EXEMPTION FOR DISABLED VETERANS, SURVIVING SPOUSES OF DISABLED VETERANS, AND MINOR DEPENDENT CHILDREN OF DISABLED VETERANS.

Basic Change :

Sponsors: Rep. C. Fite and Sen. Wallace

Senate Amendment No. 2 --- HB1143-S2 (engrossed S2/28/23) amends the definition of "homestead" by removing the additional exclusionary language added by Senate Amendment No. 1, which required that the real property not be valued as agricultural land, pasture land, or timber land. Senate Amendment No. 2 retains the exclusion from the definition of homestead added by Senate Amendment No. 1, which required that the real property not be used for a commercial purpose.

In this version of the bill, "homestead" would be defined as a:

- Dwelling that a disabled veteran, surviving spouse of a disabled veteran, or minor dependent child of a disabled veteran occupies as his or her principal place of residence; and
- Up to 40 acres of real property contiguous to the dwelling if the contiguous property is not being used for a commercial purpose.

Senate Amendment No. 1 --- HB1143-S1 (engrossed S2/21/23) amends the definition of "homestead" by limiting the tax exemption to 40 acres of real property contiguous to the homestead dwelling if the contiguous property is not:

- Being used for a commercial purpose; or
- Valued as agricultural land, pasture land, or timber land.

House Amendment No. 1 --- HB1143-H1 (engrossed H1/25/23) amends the definition of "homestead" by excluding the tax exemption from real property contiguous to the homestead if the contiguous property is being used for a commercial purpose. HB1143-H1 also adds an effective date for assessment years beginning on or after January 1, 2023.

Original Bill --- HB1143 creates a definition of "homestead" for the property tax exemption for a disabled veteran, surviving spouse of a disabled veteran, or minor dependent child of a disabled veteran under § 26-3-306. A disabled veteran who has been awarded special monthly compensation by the Department of Veterans Affairs for the loss of, or the loss of use of, one or more limbs, for total blindness in one or both eyes, or for service-connected 100% total and permanent disability is exempt from payment of all state taxes on the homestead and personal property owned by the disabled veteran. Generally, a surviving spouse and minor dependent child of a deceased disabled veteran are also exempt from payment of all state taxes on the homestead.

HB1143 defines a homestead as: "the dwelling that a disabled veteran, surviving spouse of a disabled veteran, or minor dependent child of a disabled veteran occupies as his or her principal place of residence and the land contiguous to the dwelling that the disabled veteran, surviving spouse of a disabled veteran, or minor dependent child of a disabled veteran occupies as his or her principal place of residence."

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Revenue Impact :

No impact to state general revenue. It is uncertain whether a revenue impact to county property tax collections would result.

Taxpayer Impact :

A definition of "homestead" would be provided for purposes of the exemption under § 26-3-306.

Resources Required :

The disabled veteran's exemption is from payment of property tax and not the assessment of property. Any software changes would be administered by county tax collectors. Any resources required by county tax collectors is unknown.

Time Required :

This exemption is administered by county tax collectors. Any time needed by county collectors to implement is unknown.

Procedural Changes :

This exemption is administered by county tax collectors. Any procedural changes needed by county collectors to implement is unknown.

Other Comments :

None.

Legal Analysis :

Senate Amendments No. 1 and 2 --- None.

House Amendment No. 1 --- HB1143-H1 (engrossed H1/25/23) amends the definition of "homestead" by excluding the tax exemption from real property contiguous to the homestead if the contiguous property is being used for a commercial purpose. HB1143-H1 also adds an effective date for assessment years beginning on or after January 1, 2023.

Original Bill --- HB1143 amends § 26-3-306(a)(2) by defining the term "homestead" when applying the exemption from payment of taxes for disabled veterans. HB1143 defines "homestead" as "the dwelling that a disabled veteran, surviving spouse of a disabled veteran, or minor dependent child of a disabled veteran occupies as his or her principal place of residence and the land contiguous to the dwelling that the disabled veteran, surviving spouse of a disabled veteran, or minor dependent child of a disabled veteran occupies as his or her principal place of residence." HB1143 does not define the term "contiguous" which generally is defined as sharing an actual boundary, touching. Amer. Heritage Dict.

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at 316 (2nd Ed.); see also *Seligson v. Seegar*, 211 Ark. 871, 876 (1947) ("Webster defines contiguous as 'in actual contact; touching.'"). As written, HB1143 could include commercial or agricultural property that is contiguous to a disabled veteran's homestead, which may be administered differently than the definition of the word "homestead" in § 26-26-1122, the legislation implementing Amendment 79, which defines "homestead" as the "dwelling of a person that is used as his or her principal place of residence with the contiguous land, excluding all land valued as agricultural land, pasture land, or timberland."

HB1143 does not contain an effective date. HB1143 may benefit from an amendment providing that it is effective for assessment years beginning on and after January 1, 2023.