

# 2001 SESSION

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## SENATE BILL NO. 855

Offered January 10, 2001

Prefiled December 20, 2000

*A BILL to amend and reenact § 58.1-3603 of the Code of Virginia, relating to conditions under which tax-exempt real estate, not owned by the Commonwealth, shall become subject to local taxes.*

Patrons—Stosch, Chichester, Miller, K.G. and Wampler

Referred to Committee on Finance

### **Be it enacted by the General Assembly of Virginia:**

#### **1. That § 58.1-3603 of the Code of Virginia is amended and reenacted as follows:**

§ 58.1-3603. Exemptions not applicable when building is source of revenue.

A. Whenever any building or land, or part thereof, exempt from taxation pursuant to this chapter and not belonging to the Commonwealth is a source of ~~revenue or profit~~ *substantial net income*, whether by lease or otherwise, all of such buildings and land shall be liable to taxation as other land and buildings in the same county, city or town. When a part but not all of any such building or land, however, is a source of ~~revenue or profit~~ *substantial net income*, and the remainder of such building or land is used by any organization exempted from taxation pursuant to this chapter for its purposes, only such portion as is a source of ~~profit or revenue~~ *substantial net income* shall be liable for taxation.

B. In assessing any building and the land it occupies pursuant to subsection A, the assessing officer shall only assess for taxation that portion of the property as is a source of ~~profit or revenue~~ *substantial net income* and the tax shall be computed on the basis of the ratio of the space as is a source of ~~profit or revenue~~ *substantial net income* to the entire property. When any such property is leased for portions of a year the tax shall be computed on the basis of the average use of such property for the preceding year.

C. In determining whether any building or land, or part thereof, is a source of ~~revenue or profit~~ *substantial net income*, rent from the lease of the property applied to reduce indebtedness against the property by payment of the principal of an outstanding bond or note held by a political subdivision of the Commonwealth shall not constitute ~~revenue or profit~~ *income*, provided that the property is leased to a lessee who is exempt from taxation pursuant to § 501 (c) (3) of the Internal Revenue Code and is used by such lessee exclusively for charitable purposes.

D. For purposes of this section, "net income" shall be determined using generally accepted accounting principles, including, but not limited to, the cost of depreciation and other expenses relating to the operation and maintenance of such building and land.

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