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HOUSE BILL NO. 169

Offered January 11, 2006

Prefiled December 29, 2005

A BILL to amend and reenact § 58.1-3321 of the Code of Virginia and to amend the Code of Virginia by adding in Article 9 of Chapter 32 of Title 58.1 a section numbered 58.1-3322, relating to limits on the real property tax rates of counties, cities and towns.

Patrons—Lingamfelter and Frederick

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That § 58.1-3321 of the Code of Virginia is amended and reenacted and that the Code of Virginia is amended by adding in Article 9 of Chapter 32 of Title 58.1 a section numbered 58.1-3322 as follows:

§ 58.1-3321. Effect on rate when assessment results in tax increase; public hearings.

A. When any annual assessment, biennial assessment or general reassessment of real property by a county, city, or town would result in an increase of 1 percent or more in the total real property tax levied, such county, city, or town shall reduce its rate of levy for the forthcoming tax year so as to cause such rate of levy to produce no more than 101 percent of the previous year's *total* real property tax levies, unless subsection B ~~of this section~~ is complied with, which rate shall be determined by multiplying the previous year's total real property tax levies by 101 percent and dividing the product by the forthcoming tax year's total real property assessed value. An additional assessment or reassessment due to the construction of new or other improvements, including those improvements and changes set forth in § 58.1-3285, to the property shall not be an annual assessment or general reassessment within the meaning of this section, nor shall the assessed value of such improvements be included in calculating the new tax levy for purposes of this section. Special levies shall not be included in any calculations provided for under this section.

B. The governing body of a county, city, or town may~~, after conducting a public hearing, which shall not be held at the same time as the annual budget hearing, increase the rate~~ *increase its rate of levy on real property* above the reduced rate required in subsection A ~~above~~ if any such increase is deemed to be necessary by such governing body. *In order to increase the rate above the reduced rate required in subsection A, the governing body shall, by a majority vote, approve a rate of levy above such reduced rate. Such vote shall take place at the conclusion of a public hearing in regard to the locality's rate of levy on real property. The public hearing shall not be held at the same time as the annual budget hearing. Except as provided in subsection B of § 58.1-3322, the governing body shall not approve a rate of levy that would produce more than 103 percent of the previous year's total real property tax levies for such county, city, or town, as determined in accordance with subsection A.*

Notice of the public hearing shall be given at least seven days before the date of such hearing by the publication of a notice in at least one newspaper of general circulation in such county or city. Such notice shall be at least the size of one-eighth page of a standard size or a tabloid size newspaper, and the headline in the advertisement shall be in a type no smaller than 18-point. The notice shall not be placed in that portion, if any, of the newspaper reserved for legal notices and classified advertisements. The notice shall be in the following form and contain the following information, in addition to such other information as the local governing body may elect to include:

NOTICE OF PROPOSED REAL PROPERTY TAX INCREASE

The (name of the county, city, or town) proposes to increase property tax levies.

1. Assessment Increase: Total assessed value of real property, excluding additional assessments due to new construction or improvements to property, exceeds last year's total assessed value of real property by ..... . percent.

2. Lowered Rate Necessary to Offset Increased Assessment: The tax rate that would levy the same amount of *total* real estate tax as last year, when multiplied by the new total assessed value of real estate with the exclusions mentioned above, would be $..... per $100 of assessed value. This rate will be known as the "lowered tax rate."

3. Effective Rate Increase: The (name of the county, city, or town) proposes to adopt a tax rate of $..... per $100 of assessed value. The difference between the lowered tax rate and the proposed rate would be $.. ..... per $100, or ..... percent. This difference will be known as the "effective tax rate increase."

Individual property taxes may, however, increase at a percentage greater than or less than the above

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percentage.

4. Proposed Total Budget Increase: Based on the proposed real property tax rate and changes in other revenues, the total budget of (name of county, city or town) will exceed last year's by ..... percent.

A public hearing on the increase will be held on (date and time) at (meeting place).

C. All hearings shall be open to the public. The governing body shall permit persons desiring to be heard an opportunity to present oral testimony within such reasonable time limits as shall be determined by the governing body.

D. The provisions of this section shall not be applicable to the assessment of public service corporation property by the State Corporation Commission.

E. Notwithstanding other provisions of general or special law, the tax rate for taxes due on or before June 30 of each year may be fixed on or before April 15 of that tax year.

§ 58.1-3322. Limit on annual increase in tax rates.

A. Subject to the rate requirements and rate limits in § 58.1-3321, the real property tax rate approved by a county, city, or town for any tax year shall not be fixed at any rate that would produce more than 103 percent of the previous year's total real property tax levies for such county, city, or town, except as provided in subsection B.

B. Notwithstanding the tax rate limitations of subsection A, the governing body of a county, city, or town may increase its rate of levy on real property for any tax year by a rate not to exceed the sum of (i) the rate of the population growth, plus (ii) the rate of inflation, in such county, city or town for the immediately preceding year; but in no event shall the rate be set at any amount that would produce more than 106 percent of the previous year's total real property tax levies.

The rate of inflation shall equal the percentage change in the consumer price index for all items for all urban consumers (CPI-U) for the 12-month period ending September 30 of the year immediately preceding the tax year in which such new rate is adopted by the governing body. The consumer price index shall be the consumer price index as published by the Bureau of Labor Statistics. The rate of population growth shall be determined using the provisional population estimates as published by the Weldon Cooper Center for Public Services.

C. The governing body shall, by a majority vote, approve any increase in its rate of levy on real property at the conclusion of a public hearing in regard to the locality's rate of levy on real property. The public hearing shall not be held at the same time as the annual budget hearing. Such public hearing shall be held in accordance with the public hearing provisions of § 58.1-3321.

2. That the provisions of this act shall apply to real property tax rates for tax years beginning on or after January 1, 2007.

3. That any annual assessment, biennial assessment, or general reassessment of real property by a county, city, or town shall be conducted pursuant to the uniformity requirements of Article X, Section 1 of the Constitution of Virginia.