

# DEPARTMENT OF TAXATION

## 2006 Fiscal Impact Statement

1. **Patron** John S. Edwards

2. **Bill Number** SB 358

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

3. **Committee** Passed House and Senate

4. **Title** Real Property Tax; Partial Exemption  
for Structures in Redevelopment or  
Conservation Areas or Rehabilitation  
Districts

**Second House:**

           **In Committee**

           **Substitute**

  X   **Enrolled**

### 5. **Summary/Purpose:**

This bill would authorize localities to provide for the partial exemption from taxation of new structures or other improvements to real estate located in redevelopment or conservation areas or rehabilitation districts. The partial exemption would be a percentage of the increase in assessed value as a result of the new structure or improvement or an amount not to exceed 50 percent of the construction cost of such structure or improvement.

This bill would require a constitutional amendment to become effective.

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

7. **Budget amendment necessary:** No.

### 8. **Fiscal implications:**

This bill would have no impact on state revenues. If the required constitutional amendment is enacted, the impact on local revenues is uncertain because localities may or may not exercise the authority to grant the partial exemption. The revenue impact on each locality would be dependent upon the assessed value of the property exempted and the rate of tax imposed.

### 9. **Specific agency or political subdivisions affected:**

All localities.

10. **Technical amendment necessary:** No.

### 11. **Other comments:**

#### Current Law

Article X, Section 6 of the *Constitution of Virginia* lists all property that may be exempted from taxation. No exemption is currently authorized for new structures or other

improvements to real estate located in redevelopment or conservation areas or rehabilitation districts.

### Proposal

This bill would authorize local governing bodies to provide, by ordinance, for the partial exemption from taxation of new structures or other improvements to real estate located in redevelopment or conservation areas or rehabilitation districts. The partial exemption would be a percentage of the increase in assessed value as a result of the new structure or improvement or an amount not to exceed 50 percent of the construction cost of such structure or improvement.

The exemption would remain in effect for a period of time, not to exceed 15 years, determined by the local governing body. The governing body would be authorized to reduce the amount of the exemption in annual steps over the entire period or a portion thereof.

The governing body would be authorized to establish (1) criteria for determining whether real estate qualifies for the partial exemption, (2) requirements for the square footage of new structures that would qualify for the partial exemption and (3) other restrictions and conditions.

The governing body would be authorized to assess a fee not to exceed \$125 for residential properties or \$250 for commercial, industrial, and/or apartment properties of six units or more for processing each application requesting the partial exemption. No property would be eligible for partial exemption unless the appropriate building permits have been acquired and the commissioner of the revenue or assessing officer has verified that the new structures or other improvements have been completed.

Where the construction of a new structure is achieved through demolition and replacement of an existing structure, the property would not qualify for the partial exemption if the structure demolished is a registered Virginia landmark or is determined by the Department of Historic Resources to contribute to the significance of a registered historic district.

As Article X, Section 6 of the *Constitution of Virginia* does not authorize an exemption for new structures or other improvements to real estate located in redevelopment or conservation areas or rehabilitation districts, this bill would require a constitutional amendment to be effective.

### Other Legislation

**Senate Joint Resolution 87** would propose the necessary constitutional amendment.

**Senate Bill 357** would provide the necessary referendum for the voters to ratify or reject the constitutional amendment.

cc : Secretary of Finance

Date: 03/22/2006 JEM