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SENATE BILL NO. 1058

Offered January 10, 2007

Prefiled January 9, 2007

A *BILL to amend and reenact § 58.1-3221 of the Code of Virginia, relating to the partial real estate tax exemption for rehabilitated, renovated, or replacement commercial or industrial structures.*

Patron—Watkins

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:**1. That § 58.1-3221 of the Code of Virginia is amended and reenacted as follows:**

§ 58.1-3221. Partial exemption for certain rehabilitated, renovated or replacement commercial or industrial structures.

A. The governing body of any county, city or town may, by ordinance, provide for the partial exemption from taxation of real estate on which any structure or other improvement no less than twenty years of age, or fifteen years of age if the structure is located in an area designated as an enterprise zone by the Commonwealth, has undergone substantial rehabilitation, renovation or replacement for commercial or industrial use, subject to such conditions as the ordinance may prescribe. The ordinance may, in addition to any other restrictions hereinafter provided, restrict such exemptions to real property located within described zones or districts whose boundaries shall be determined by the governing body. The governing body of a county, city or town may establish criteria for determining whether real estate qualifies for the partial exemption authorized by this provision and may require the structure to be older than twenty years of age, or fifteen years of age if the structure is located in an area designated as an enterprise zone by the Commonwealth, or place such other restrictions and conditions on such property as may be prescribed by ordinance. Such ordinance may also provide for the partial exemption from taxation of real estate which has been substantially rehabilitated by complete replacement for commercial and industrial use.

B. The partial exemption provided by the local governing body may not exceed an amount equal to the increase in assessed value resulting from the rehabilitation, renovation or replacement of the commercial or industrial structure as determined by the commissioner of revenue or other local assessing officer or an amount up to fifty percent of the cost of rehabilitation, renovation or replacement as determined by ordinance. The exemption may commence upon completion of the rehabilitation, renovation or replacement, or on January 1 of the year following completion of the rehabilitation, renovation or replacement and shall run with the real estate for a period of no longer than fifteen years. The governing body of a county, city or town may place a shorter time limitation on the length of such exemption, or reduce the amount of the exemption in annual steps over the entire period or a portion thereof, in such manner as the ordinance may prescribe.

C. Nothing in this section shall be construed as to permit the commissioner of the revenue to list upon the land book any reduced value due to the exemption provided in subsection B.

D. The governing body of any county, city or town may assess a fee not to exceed one hundred twenty-five dollars for residential properties, or two hundred fifty dollars for commercial, industrial, and/or apartment properties of six units or more for processing an application requesting the exemption provided by this section. No property shall be eligible for such exemption unless the appropriate building permits have been acquired and the commissioner of the revenue or assessing officer has verified that the rehabilitation, renovation or replacement indicated on the application has been completed.

E. Where rehabilitation is achieved through demolition and replacement of an existing structure, the exemption provided in subsection A shall not apply when any structure demolished is a registered Virginia landmark (*a registered landmark*) or is determined by the Department of Historic Resources to contribute to the significance of a registered historic landmark (*a registered landmark*).

However, if the owner of the real estate who substantially changes such real estate into commercial or industrial use property did not own such real estate when such registered landmark was demolished (and was not a member of the same affiliated group with the owner when such registered landmark was demolished), then the commercial or industrial use real estate shall be eligible for the partial exemption pursuant to this section. In addition, for purposes of this section, in any case in which a registered landmark has been demolished, any commercial or industrial property constructed on the real estate upon which such registered landmark was formerly situated (with such commercial or industrial property being the next structure then constructed on such real estate), shall be deemed a replacement

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59 *commercial or industrial structure and shall be eligible for the partial exemption pursuant to this*
60 *section provided all other conditions herein have been met. "Affiliated group" means the same as that*
61 *term is defined under § 1504 of the Internal Revenue Code, as amended.*