

# DEPARTMENT OF TAXATION

## 2006 Fiscal Impact Statement

1. **Patron** Robert J. Wittman

3. **Committee** House Finance

4. **Title** Real Property Tax; Land Use Taxation  
Of Water-Dependent Uses

2. **Bill Number** HB 1328

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would authorize localities to establish a new classification of real property eligible for use taxation for property that is devoted to water-dependent uses.

This bill would require a constitutional amendment in order to take effect.

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

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

**8. Fiscal implications:**

In the event that the *Constitution of Virginia* is amended to allow for the establishment of a new classification of real property eligible for use taxation for property that is devoted to water-dependent uses, this bill would have a negative impact on local revenues to the extent that additional real estate qualifies for land use taxation.

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

All localities.

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

**11. Other comments:**

Land Use Taxation

Land use valuation and taxation is intended to encourage conservation by providing tax relief to the owner of real estate devoted solely to agricultural, horticultural, forest or open-space use. In valuing land at its use value, the assessing officer considers only the value of the real estate in its current use. The assessing officer does not consider the fair market value of the land at its most profitable use.

Owners of real property situated in a locality that has adopted a land-use plan and ordinance providing for use value assessment may apply to their local assessing officer for taxation of their real property on the basis of use value. Such owners must devote a minimum number of acres of real property to agricultural, horticultural, forest, or open-space use.

### Proposal

This bill would authorize localities to establish a new classification of real property eligible for use taxation for property that is devoted to water-dependent uses.

"Real estate devoted to water-dependent use" would mean a development of land that cannot exist outside of the Resource Protection Area and that must be located on the shoreline by reason of the intrinsic nature of its operation. Such real estate would include, but is not limited to (1) ports, (2) the intake and outfall structures of power plants, water treatment plants, sewage treatment plants and storm sewers; (3) beaches and other public water-oriented recreation areas; and (4) fisheries or other marine resources facilities.

"Resource Protection Area" means that component of the Chesapeake Bay Preservation Area, as defined in *Code of Va. § 10.1-2101*, comprised of lands adjacent to water bodies with perennial flow that have an intrinsic water quality value due to the ecological and biological processes they perform or are sensitive to impacts that may result in significant degradation to the quality of state waters.

### Other Legislation

**HJR 46** has been introduced which calls for a constitutional amendment necessary for this bill to take effect.

**House Bill 916** would specify that public and private golf courses are real estate devoted to open-space use for purposes of land use taxation.

**Senate Bill 56** would specify the types of documents that local assessing officers may accept as evidence that real estate is devoted solely to agricultural or horticultural use when determining eligibility for special land use value assessment and taxation.

**Senate Bill 186** would provide that real estate that qualifies for use valuation is not subject to roll-back taxes when it is divided into parcels that do not meet the minimum acreage requirements for use taxation if title to the resulting parcels is held in the name of an immediate family member.

cc : Secretary of Finance

Date: 01/23/2006 JEM