

# DEPARTMENT OF TAXATION

## 2007 Fiscal Impact Statement

1. **Patron** Kenneth C. Alexander

3. **Committee** House Finance

4. **Title** Real Property Tax; Separate Classification  
for Residential Property

2. **Bill Number** HB 1730

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would classify residential real estate as a separate class of real property from all other real estate and authorize localities to tax it at a lower rate than other real estate. Under current law, generally all real estate is considered to be one class of property subject to the same rate of tax.

In addition, this bill would prevent localities from offsetting a lower rate of taxation on residential property with an increase in the rate on other types of real property by limiting the amount by which localities could raise the tax rate for such other types of real property.

The effective date of this bill is not specified.

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. The immediate impact on local revenues is uncertain because localities may or may not exercise the authority to impose a lower rate of tax on residential property than imposed on the general classification of real property. The revenue impact on each locality would be dependent upon the assessed value of residential property subject to the lower rate of tax and the rate of tax imposed.

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

All localities.

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

## 11. Other comments:

Article X, § 1 of the Constitution of Virginia authorizes the General Assembly to define and classify taxable subjects. Under current law, all real estate is considered to be one class of property subject to the same rate of tax. In the 2002 and 2003 General Assembly Sessions, however, separate classifications of real property were created composed of improvements to real property located in the cities of Fairfax and Roanoke. These cities were authorized to tax improvements at a lower rate than that applicable to the land.

This bill would create a separate real property tax classification for residential property. Localities would be authorized to impose the local real property tax on residential property at a rate that does not exceed that applicable to the general class of real property.

"Residential property" would be defined as "improved real property used or occupied, or intended to be used or occupied, for residential purposes." Residential property would not include any "commercial real estate," defined as "any real estate other than (i) real estate containing one to four residential units, (ii) real estate on which no buildings or structures are located, or (iii) real estate classified for assessment purposes as real estate devoted to agricultural, horticultural, forest or open-space use. Commercial real estate shall not include single family residential units, including condominiums, townhouses, apartments or homes in a subdivision when leased on a unit by unit basis even though these units may be part of a larger building or parcel of real estate containing more than four residential units."

In addition, this bill would prevent localities from offsetting a lower rate of taxation on residential property with an increase in the rate on other types of real property by limiting the amount by which localities could raise the tax rate for such other types of real property.

### Similar Legislation

**House Bill 1672** would create separate real property tax classifications for residential property and property devoted to agricultural, horticultural, forest or open-space use.

**House Bill 2618** and **Senate Bill 1051** would create a separate classification of real property for certain energy efficient buildings.

**House Bill 2812** would create a separate classification of real property for residential property.

cc : Secretary of Finance

Date: 1/16/2007 AMS  
HB1730F161