

DEPARTMENT OF TAXATION

2007 Fiscal Impact Statement

1. **Patron** Timothy D. Hugo

2. **Bill Number** HB 2127

3. **Committee** Senate Finance

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

4. **Title** Real Property Tax; Provision of Notice to
Each Real Estate Taxpayer

Second House:

☒ In Committee

☐ Substitute

☐ Enrolled

5. **Summary/Purpose:**

This bill would limit increases in real property tax rates to a rate not greater than the rate derived from the proposed budget prepared pursuant to *Va. Code* § 15.2-2503. That section requires all officers and heads of departments, offices, divisions, boards, commissions, and agencies of every locality to prepare and submit to the locality an estimate of the amount of money needed during the ensuing fiscal year. The increased rate would be allowed to be imposed after a public hearing was conducted by the locality.

In addition, this bill would require that localities provide an individual notice to each property owner at least 10 days before the public hearing regarding the proposed tax rate. This notice would be required to include the property owner's previous year's real property tax levy and the real property tax levy at the derived rate.

Under current law, the annual growth in a locality's total real estate tax revenue from an annual assessment, biennial assessment or general reassessment is capped at one percent unless the locality holds a public hearing in regard to its real property tax rate, in which case there is no cap on real property tax rates. Notice of the public hearing must be given at 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.

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:**

There would be no state revenue impact associated with this bill. Localities would be limited in the rate of the real estate tax that they may impose.

9. Specific agency or political subdivisions affected:

All localities.

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Currently, when an annual assessment, biennial assessment or general reassessment of real property by a locality would result in an increase of one percent or more in the total real property tax levied, the locality must reduce its real estate tax rate so as to produce no more than 101 percent of the previous year's total real property tax revenues. Additional assessments or reassessments due to the construction of new or other improvements are excluded from this calculation. As an alternative to lowering the tax rate to the calculated rate, the governing body of the locality may, after holding a public hearing, vote to set the real estate tax rate at a different rate, which may be higher or lower than the calculated rate. State law does not limit the rate set pursuant to such a hearing.

Notice of the public hearing must be given at 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.

Proposal

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cc : Secretary of Finance

Date: 2/7/2007 AMS
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