

**DEPARTMENT OF TAXATION  
2007 Fiscal Impact Statement**

**1. Patron** William H. Fralin, Jr.

**3. Committee** House Finance

**4. Title** Real Property Tax; Classification of Energy  
Efficient Buildings

**2. Bill Number** HB 2618

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would create a separate classification of real property for certain energy efficient buildings. Localities would be authorized to assess the Real Property Tax on energy efficient buildings at a lower tax rate than that imposed on the general class of real property. An energy efficient building would be defined as any building that has received a rating of "certified" or better by the U.S. Green Building Council pursuant to the Leadership in Energy and Environmental Design Green Building Rating System. The land on which energy efficient buildings are located would not be part of this separate classification.

Under current law, all real estate is generally considered to be one class of property subject to the same rate of tax.

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 different rates of tax on energy-efficient buildings than those 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 different 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:

### Real Property Tax Classifications

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.

### Proposal

This bill would permit localities to assess the Real Property Tax for certain energy-efficient buildings at a lower rate than that imposed on the general class of real property by creating a separate classification for taxation purposes. An energy efficient building would be defined as any building that has received a rating of "certified" or better by the U.S. Green Building Council pursuant to the Leadership in Energy and Environmental Design Green Building Rating System. Under the provisions of this bill, the rate of tax imposed by the county, city, or town, may not exceed that applicable to the general class of real property.

### Similar Legislation

**Senate Bill 1051** is identical to this bill.

**House Bill 2812** would permit localities to tax residential property at a lower tax rate than that imposed on the general class of real property by creating a separate classification for taxation purposes.

**House Bill 1730** would create a separate real property tax classification for residential real property and would place certain limitations on the subsequent rates imposed on the general class of real property if the locality imposes a lower tax rate on the separate class of residential property.

cc : Secretary of Finance

Date: 1/13/2007 KP  
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