

# DEPARTMENT OF TAXATION

## 2007 Fiscal Impact Statement

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

2. **Bill Number** HB 2618

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

3. **Committee** Senate Finance

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

**Second House:**

  X   **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 exceeds the energy efficiency standards prescribed in the Virginia Uniform Statewide Building Code by thirty percent. Any qualified licensed engineer or contractor, not related to the taxpayer, would be authorized to determine whether the building qualifies to be certified as an energy efficient building. The licensed engineer or contractor would also certify to the taxpayer that he or she has the qualifications to provide the certification. 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 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 exceeds the energy efficiency standards prescribed in the Virginia Uniform Statewide Building Code by thirty percent. The land on which energy efficient buildings are located would not be part of this separate classification.

Any qualified licensed engineer or contractor, not related to the taxpayer, would be authorized to determine whether the building qualifies to be certified as an energy efficient building. The licensed engineer or contractor would also certify to the taxpayer that he or she has the qualifications to provide the certification.

Similar Legislation

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

cc : Secretary of Finance

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