

**DEPARTMENT OF TAXATION
2007 Fiscal Impact Statement**

1. Patron John S. Edwards

2. Bill Number SB 1051

3. Committee Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

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

Second House:

 In Committee

 Substitute

 X **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 30 percent. An energy efficient building would be determined as such by a qualified licensed engineer or contractor who is not related to the taxpayer and who must certify to the taxpayer that he or she has 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 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 exceeds the energy efficiency standards prescribed in the Virginia Uniform Statewide Building Code by 30 percent. 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

House Bill 2618 is identical to this bill.

cc : Secretary of Finance

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