

DEPARTMENT OF TAXATION

2008 Fiscal Impact Statement

1. **Patron** Mamy E. BaCote

3. **Committee** House Finance

4. **Title** Real Property Tax; Separate Classifications

2. **Bill Number** HB 699

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would create separate real property tax classifications for (1) commercial and industrial real property; single family dwellings; and multifamily dwellings. Localities would be authorized to levy a tax on property within each classification at a different rate from the rate of tax levied on other real property.

This bill would also require that any locality embraced by the Northern Virginia Transportation Authority or the Hampton Roads Transportation Authority not imposing the maximum commercial and industrial real property tax permitted by *Va. Code* § 58.1-3221.3, which has a rate of taxation for commercial or industrial real property that is greater than its rate of taxation for single family dwellings, use the revenues attributable to the higher rate of taxation on commercial and industrial real property for transportation purposes in the same manner as set forth in *Va. Code* § 58.1-3221.3 until such revenues plus any revenues attributable to a tax imposed under *Va. Code* § 58.1-3221.3 equal the revenue that would be attributable under the maximum tax permitted under *Va. Code* § 58.1-3221.3.

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 different rate of tax on the new real property classifications than imposed on the general classification of real property. The revenue impact on each locality would be dependent upon the assessed value of the real property and whether it was subject to the lower or higher rate of tax than the current rate of tax imposed.

9. Specific agency or political subdivisions affected:

All localities

Hampton Roads Transportation Authority

Northern Virginia Transportation Authority

Cities of Alexandria, Chesapeake, Hampton, Fairfax, Falls Church, Manassas, Manassas Park, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg

Counties of Arlington, Fairfax, Isle of Wright, James City, Loudoun, Prince William, and York

10. Technical amendment necessary: Yes.

Page 1, Line 18, After such

Strike: residential

Insert: commercial or industrial

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 generally 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. The 2007 General Assembly session created a separate classification of real property for energy efficient buildings.

The 2007 General Assembly session also enacted *Va. Code* § 58.1-3221.3, which created separate classifications for real property used for or zoned to permit commercial or industrial uses in the counties and cities embraced by the Northern Virginia Transportation Authority and the Hampton Roads Transportation Authority.

The governing body of any locality embraced by the Northern Virginia Transportation Authority may annually impose on property used for or zoned to permit commercial or industrial uses an additional real property tax at a rate not to exceed \$0.25 per \$100 of assessed value. The tax may be imposed on all such property in the locality, or in a special transportation district set up in the locality. The revenues from such tax must be used for transportation purposes within the locality, if the tax is imposed throughout the locality, or for transportation purposes within the special transportation district, if the tax is only imposed within the district. The Northern Virginia Transportation Authority embraces the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park and the Counties of Arlington, Fairfax, Loudoun, and Prince William.

The governing body of any locality embraced by the Hampton Roads Transportation Authority may annually impose on property used for or zoned to permit commercial or industrial uses an additional real property tax at a rate not to exceed \$0.10 per \$100 of

assessed value. The tax may be imposed on all such property in the locality, or in a special transportation district set up in the locality. The revenues from such tax must be used for transportation purposes within the locality, if the tax is imposed throughout the locality, or for transportation purposes within the transportation district, if the tax is only imposed within the special district. The Hampton Roads Transportation Authority embraces the Cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg and the Counties of Isle of Wight, James City, and York.

Proposal

This bill would create separate real property tax classifications for (1) commercial and industrial real property; (2) single family dwellings used or occupied, or intended to be used or occupied for residential purposes; and (3) multifamily dwellings used or occupied, or intended to be used or occupied for residential purposes.

Commercial or industrial real property would include all real property used for or zoned to permit commercial or industrial uses. Such classification of real property would exclude all residential property.

This bill would also require that any locality embraced by the Northern Virginia Transportation Authority or the Hampton Roads Transportation Authority not imposing the maximum commercial and industrial real property tax permitted by *Va. Code* § 58.1-3221.3, which has a rate of taxation for commercial or industrial real property that is greater than its rate of taxation for single family dwellings, use the revenues attributable to the higher rate of taxation on commercial and industrial real property for transportation purposes in the same manner as set forth in *Va. Code* § 58.1-3221.3 until such revenues plus any revenues attributable to a tax imposed under *Va. Code* § 58.1-3221.3 equal the revenue that would be attributable under the maximum tax permitted under *Va. Code* § 58.1-3221.3.

Similar Legislation

House Bill 215 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.

House Bill 239 and **Senate Bill 174** would change the performance guidelines and standards that energy efficient buildings must meet or exceed to be classified as a separate class of real property.

cc : Secretary of Finance

Date: 1/18/2008 AM
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