

**DEPARTMENT OF TAXATION
2008 Fiscal Impact Statement**

1. **Patron** Harry B. Blevins
3. **Committee** Passed House and Senate
4. **Title** Real Property Tax; Classification of Energy Efficient Buildings

2. **Bill Number** SB 174
House of Origin:
 Introduced
 Substitute
 Engrossed
- Second House:**
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would provide alternative performance standards in order for buildings to qualify for the separate class of real property established for energy efficient buildings. Any building that (1) meets or exceeds the performance standards of the Green Globes Green Building Rating System of the Green Building Initiative, (2) meets or exceeds the performance standards of the Leadership in Energy and Environmental Design (LEED) Green Building Rating System of the U.S. Green Building Council, (3) meets or exceeds the performance standards or guidelines under the EarthCraft House Program, or (4) is an Energy Star qualified home, the energy efficiency of which meets or exceeds performance guidelines for energy efficiency under the Energy Star program developed by the United States Environmental Protection Agency, would be classified as an energy efficient building upon (1) the granting of a certification under one of these programs or (2) the determination by a qualified, licensed architect or professional engineer designated by the locality that the building meets or exceeds the performance standards or guidelines under one of these programs.

Under current law, only buildings that exceed the energy efficiency standards prescribed in the Virginia Uniform Statewide Building Code by at least 30 percent are deemed energy-efficient buildings, and the certification of energy efficiency is performed by an engineer or contractor that is not related to the taxpayer.

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 it is not known whether more or less properties would qualify for the special class of real property under the new standards proposed by this bill.

The revenue impact on each locality would be dependent upon the assessed value of 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 are authorized to tax improvements at a lower rate than that applicable to the land. The 2007 General Assembly session created separate classifications of real property 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 and for energy efficient buildings.

Under current law, only buildings that exceed the energy efficiency standards prescribed in the Virginia Uniform Statewide Building Code by at least 30 percent are deemed energy-efficient buildings, and the certification of energy efficiency is performed by an engineer or contractor that is not related to the taxpayer. Localities are 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. The land on which energy efficient buildings are located is not part of the separate classification.

Proposal

This bill would provide alternative performance standards in order for buildings to qualify for the separate class of real property established for energy efficient buildings. Any building that (1) meets or exceeds the performance standards of the Green Globes Green Building Rating System of the Green Building Initiative, (2) meets or exceeds the performance standards of the Leadership in Energy and Environmental Design (LEED) Green Building Rating System of the U.S. Green Building Council, (3) meets or exceeds the performance standards or guidelines under the EarthCraft House Program, or (4) is an Energy Star qualified home, the energy efficiency of which meets or exceeds performance guidelines for energy efficiency under the Energy Star program developed by the United States Environmental Protection Agency, would be classified as an energy efficient building upon (1) the granting of a certification under one of these programs or (2) the determination by a qualified, licensed architect or professional engineer designated by the locality that the building meets or exceeds the performance standards or guidelines under one of these programs.

Similar Legislation

House Bill 239 would provide that any building that meets or exceeds performance guidelines or standards under the Green Globes Green Building Rating System of the Green Building Initiative, Leadership in Energy and Environmental Design (LEED) Green Building Rating System, EarthCraft House program, or Energy Star program would be defined as an energy efficient building. Certification of energy-efficiency would be determined by a certification issued under any one of the programs or a determination by an engineer designated by the locality that the building meets or exceeds the performance guidelines or standards under any one of the four programs.

cc : Secretary of Finance

Date: 2/28/2008 AM
DLAS File Name: SB174FER161.doc