

**DEPARTMENT OF TAXATION
2009 Fiscal Impact Statement**

1. Patron Robert D. Orrock, Sr.

3. Committee House Finance

4. Title Real Property Tax; Agricultural Use
Assessment

2. Bill Number HB 2098

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would provide that real property that otherwise qualifies for agricultural use assessment is not disqualified because rock, sand, or gravel is extracted from a portion of such property so long as the property is returned to its original contour when the extraction ends. The bill would also provide that the presence of utility lines shall not be considered in determining whether the property is devoted to agricultural use.

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. To the extent that additional real estate qualifies for land use taxation, this bill would have a negative impact on local revenues.

9. Specific agency or political subdivisions affected:

All localities.

10. Technical amendment necessary: Yes.

The bill, as introduced, contains text that appears unrelated to the intent of this bill. Accordingly, the following technical amendment is suggested:

Page 1, Line 37, After Commissioner.

Strike: , or (iii) energy power lines stretch, with or without a right of way,

11. Other comments:

Land Use Taxation

Land use valuation and taxation is intended to encourage conservation by providing tax relief to the owner of real estate devoted solely to agricultural, horticultural, forest or open-space use. In valuing land at its use value, the assessing officer considers only the value of the real estate in its current use. The assessing officer does not consider the fair market value of the land at its most profitable use.

Owners of real property situated in a locality that has adopted a land-use plan and ordinance providing for use value assessment may apply to their local assessing officer for taxation of their real property on the basis of use value. Such owners must devote a minimum number of acres of real property to agricultural, horticultural, forest, or open-space use.

In order to qualify as real estate devoted to agricultural use under current law, the real estate must be devoted to the production for sale of plants and animals determined useful under uniform standards by the Commissioner of Agriculture and Consumer Services or devoted to and meeting the requirements and qualifications of a soil conservation program under an agreement with a federal government agency. The current "Standards for Classification of Real Estate as Devoted to Agricultural Use and to Horticultural Use", 2 *Virginia Administrative Code* 5-20-10, *et seq.*, do not refer to real estate from which rock, sand, or gravel is extracted.

Proposal

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Similar Legislation

Senate Bill 1043 would allow localities to assess and collect roll-back taxes for up to 15 years under a use value assessment program if the revenues are used to fund the locality's purchase of development rights program.

cc : Secretary of Finance

Date: 1/16/2009 AM
DLAS File Name: HB2098F161