

# DEPARTMENT OF TAXATION

## 2010 Fiscal Impact Statement

1. **Patron** Kenneth C. Alexander
3. **Committee** Senate Local Government
4. **Title** Service Districts; Annual Tax

2. **Bill Number** HB 200  
**House of Origin:**  
           **Introduced**  
           **Substitute**  
           **Engrossed**
- Second House:**  
  X   **In Committee**  
           **Substitute**  
           **Enrolled**

**5. Summary/Purpose:**

This bill would limit the application of the annual tax levied upon property in a service district to only those specific classes of property that the locality deems benefit from the governmental services provided as a result of the annual tax.

Under current law, Virginia localities may create service districts within the locality to provide additional, more complete, or more timely services of government than are desired in the locality or localities as a whole. Upon passage of an ordinance creating a service district, localities may levy and collect an annual tax on taxable real estate zoned for residential, commercial, industrial, or other uses, or any combination of such use classification, within the boundaries of the service district.

The effective date of this bill is not specified.

6. **No Fiscal Impact** (See Line 8.)
7. **Budget amendment necessary:** No.
8. **Fiscal implications:**

This bill would have no impact on state revenues. To the extent that local governing bodies create service districts, this bill would limit the classes of property to which the annual service tax can apply. Because there would be a reduction in the taxable base, this may result in a decrease in service district revenues.

**9. Specific agency or political subdivisions affected:**

All localities

10. **Technical amendment necessary:** No.

## 11. Other comments:

### Background

Virginia law authorizes any locality to create service districts within the locality, by ordinance. The purpose of service districts is to provide additional, more complete or more timely services of government than are desired in the locality or localities as a whole. Localities seeking to create a service district must conduct a public hearing prior to the district's creation. The ordinance establishing the service district must include the name and boundaries of the proposed district; specify any areas within the district that are to be excluded; describe the purposes of the district and the facilities and services proposed within the district; describe a proposed plan for providing such facilities and services within the district; and describe the benefits which can be expected from the provision of the proposed facilities and services within the district.

### Annual Tax

Upon passage of an ordinance creating a service district, localities are statutorily granted several powers with respect to these districts. Among these powers, localities may levy and collect an annual tax on any property in the service district that is subject to local taxation to pay for the expenses and charges for providing certain governmental services to the locality, such as water supply, garbage removal and disposal, and transportation. The tax may be levied on taxable real estate zoned for residential, commercial, industrial or other uses, or any combination of such use classification, within the boundaries of the service district. The annual tax may not be levied to pay for schools, police, or general government services. Proceeds from the tax must be allocated to the district in which the funds were raised.

### Proposal

This bill would limit the application of the annual tax levied upon property in a service district to only those specific classes of property that the locality deems benefit from the governmental services provided as a result of the annual tax.

The effective date of this bill is not specified.

cc : Secretary of Finance

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