

DEPARTMENT OF TAXATION

2011 Fiscal Impact Statement

1. **Patron** Timothy D. Hugo

3. **Committee** House Finance

4. **Title** Real Property Tax; Partial Exemption for
Structures in Redevelopment or
Conservation Areas or Rehabilitation
Districts

2. **Bill Number** HB 1899

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would require the local governing body of a locality in which partial exemptions for structures in redevelopment or conservation areas or rehabilitation districts are available to provide written notification to the property owner of the amount of the assessment of the property that will be exempt from real property taxation and the period of such exemption. The bill would also clarify that the exempt amount is a covenant that runs with the land for the period of the exemption, and would prohibit local governing bodies from reducing that amount during the period of the exemption.

The provisions of this bill would also apply to real property in any locality in which the governing body has provided for the partial exemption from taxation of real estate on which any structure or other improvement no less than 15 years of age has undergone substantial rehabilitation, renovation, or replacement for residential use.

Under current law, local governing bodies may provide for the partial exemption from taxation of new structures or other improvements to real estate located in a redevelopment or conservation area or rehabilitation district. They may also partially exempt from tax real estate on which any structure or other improvement no less than 15 years of age has undergone substantial rehabilitation, renovation or replacement for residential use.

This bill would be effective for assessments for tax years beginning on or after January 1, 2011.

6. **Budget amendment necessary:** No.

7. **No Fiscal Impact.**

8. **Fiscal implications:**

This bill would have no impact on state or local revenues.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Under current law, local governing bodies are authorized to provide, by ordinance, for the partial exemption from taxation of new structures or other improvements to real estate located in redevelopment or conservation areas or rehabilitation districts. Local governing bodies are also authorized to provide an exemption from taxation of real estate on which any structure or other improvement no less than 15 years of age has undergone substantial rehabilitation, renovation or replacement for residential use. The partial exemption is a percentage of the increase or an amount equal to the increase in assessed value resulting from the construction of the new structure or other improvement to the real estate or 50% of the cost of such construction or improvement.

The exemption must run with the real estate for a period determined by the local governing body, which is not to exceed 15 years. The governing body is authorized to reduce the amount of the exemption in annual steps over the entire period or a portion thereof.

The governing body is also authorized to establish (1) criteria for determining whether real estate qualifies for the partial exemption, 2) requirements for the square footage of new structures that qualify for the partial exemption and 3) other restrictions and conditions.

In addition, the governing body may assess a fee at a maximum rate of \$125 for residential properties or \$250 for commercial, industrial, and/or apartment properties of six units or more for processing each application requesting the partial exemption.

Where the construction of a new structure is achieved through demolition and replacement of an existing structure, the property does not qualify for the partial exemption if the structure demolished is a registered Virginia landmark or is determined by the Department of Historic Resources to contribute to the significance of a registered historic district.

Proposal

This bill would require localities that grant partial exemptions for structures in redevelopment or conservation areas or rehabilitation districts to notify affected property owners of the amount of the exemption and the duration of the exemption. The bill would also clarify that the exemption is a covenant that runs with the land and prohibit localities from reducing the amount of the exemption during its duration.

The provisions of this bill would also apply to real property in any locality that provides partial exemptions structures no less than 15 years of age that have undergone substantial rehabilitation, renovation, or replacement for residential use.

The provisions of this bill would become effective for assessments for tax years beginning on or after January 1, 2011. Property owners would not be entitled to a refund for any taxes paid for tax years beginning prior to January 1, 2011.

Similar Bills

Senate Bill 785 is identical to this bill.

Senate Bill 784 would clarify that a real estate assessor may require an owner of real property with four or fewer residential units that is operated in whole or in part as affordable rental housing to furnish to the assessor a statement of the income and expenses attributable to the property when the owner applies to the locality to have the real property assessed as affordable housing.

House Bill 1470 would authorize circuit courts for any locality to appoint up to two alternate board members to serve on local boards of equalization if a member of the board is absent or abstains.

House Bill 1526 would allow statements of income and expense to be used in a complaint before a Board of Equalization and in an action for relief in court from the determination of the Board of Equalization even if the statements were not timely presented to the assessor. The bill provides that the statements must be submitted to the Board of Equalization at least 30 days prior to the hearing before the Board.

House Bill 1532 would lower the threshold percentage of taxes and liens on property from 50 percent to 20 percent of the assessed value of the parcel and, if only taxes, from 25 percent to 10 percent of the assessed value of the parcel to allow a special commissioner to convey the real estate to the locality in lieu of a public sale at auction.

House Bill 1588 would shift the burden of proof from the taxpayer to the assessor when the taxpayer appeals the assessment of real property to a Board of Equalization or to a circuit court, and would remove the presumption that the assessor's valuation of real property is correct. The bill would also provide that any determination of an assessment by any Board of Equalization shall be presumptively correct for the succeeding two years unless the assessor can demonstrate by clear and convincing evidence that a substantial change in value of the property has occurred.

House Bill 1672 would add James City County to the list of localities permitted to enact certain provisions regarding zoning classifications and special land use assessments for purposes of the real property tax.

House Bill 1851 and Senate Bill 860 would classify buildings listed on the Virginia Landmarks Register, not including the real estate or land on which they are located, as a separate class of real property from all other real estate and authorize localities to tax it at a lower rate than other real estate.

cc : Secretary of Finance

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