

DEPARTMENT OF TAXATION

2012 Fiscal Impact Statement

1. **Patron** Robert G. Marshall

3. **Committee** House Finance

4. **Title** Real Property Tax; Fair Market Value
Determined According to Non-restricted
Uses

2. **Bill Number** HB 31

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would require real property assessors to base their fair market value determinations for real property solely on permissible uses of such property when the property's use is subject to federal, state or local restrictions.

Under current law, many factors must be considered in arriving at the fair market value of property, including its size and cost, design, style, location, appearance, availability of use, and the economic situation prevailing in its area. In estimating the fair market value of real property, all the capabilities of the property and all the uses to which it may be applied or for which it is adapted, are to be considered. Real property assessors are not required to reduce the value of real property simply because of restrictions or limitations upon the use of such property.

The effective date of this bill is not specified.

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

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

8. **Fiscal implications:**

This bill would have no impact on state revenues. To the extent that the bill precludes assessors from factoring in potential zoning changes and other property restrictions that may have been considered previously in assessing real property, the bill would result in a decrease in local property tax revenues, the magnitude of which is unknown.

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

All localities

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

11. Other comments:

Current Law

The *Virginia Constitution* requires that all assessments reflect fair market value, to be ascertained as prescribed by law. While Virginia does not have a statutory definition of “fair market value”, case law defines the term as “the price which it will bring when offered for sale by one who desires, but is not obliged, to sell it, and is bought by one who is under no necessity of having it.” An appraiser must generally assemble a considerable amount of information about the subject property and its location, including, but not limited to, the general economic conditions in the county or city, planning and zoning regulations, neighborhood boundaries, and sales and cost data. There are many factors to be considered in arriving at the fair market value of property. While size and cost of the property may be factors to be given weight, there are many other factors, which tend to increase or diminish such value, such as the design, style, location, appearance, availability of use, and the economic situation prevailing in its area, as well as other circumstances. According to case law, all the capabilities of the property and all the uses to which it may be applied or for which it is adapted are to be considered in determining the fair market value.

Real property assessors are not required to reduce the value of real property simply because of restrictions or limitations upon the use of such property. Based on their judgment and expertise, they may attribute value to potential uses of real property, even if such use would require a zoning change or is otherwise subject to some legal restriction.

Proposal

This bill would require real property assessors to base their fair market value determinations for real property solely on permissible uses of such property when the property's use is subject to federal, state or local restrictions.

The effective date of this bill is not specified.

Similar Bills

House Bill 80 would require the local assessing official to separately assess the fair market value of wetlands on real property, if requested by the property owner.

Senate Bill 48 and Senate Bill 73 (substantively identical) would establish criteria by which an assessor must determine fair market value for real estate used in whole or in part as residential rental property as defined by ordinance or the locality.

cc : Secretary of Finance

Date: 1/14/2012 KP
DLAS File Name: HB 31F161