

# DEPARTMENT OF TAXATION

## 2012 Fiscal Impact Statement

1. **Patron** Harry B. Blevins

2. **Bill Number** SB 306

3. **Committee** Senate Finance

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Real Property Tax; Specifies that  
Development Project Areas are Blighted  
Areas

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would specify that only blighted areas may be designated as development project areas for purposes of tax increment financing.

Under current law, localities are authorized to enact ordinances to finance development project costs by using real estate tax increments to encourage private investment in development project areas. Currently "development project area" is defined to include any area designated for development or redevelopment in an ordinance passed by the local governing body. The law does not explicitly limit development project areas to blighted areas.

The effective date of this bill is not specified.

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

7. **No Fiscal Impact.** (See Line 8.)

**8. Fiscal implications:**

This bill would have no direct impact on state tax revenue. To the extent that property that does not meet the strict "blighted area" definition is excluded from tax increment financing, the bill would result in an increase in local real property tax revenue.

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

Localities that have adopted tax increment financing

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

**11. Other comments:**

Currently, localities are authorized to use tax increment financing as a method of financing economic development projects in areas that require redevelopment. Tax

increment financing allows localities to enact an ordinance designating a development project area that will be redeveloped. The local assessing officer will record in the land book the "base assessed value" of the land in the project area, which is the assessed value prior to the effective date of the ordinance, and the current assessed value of such land. Localities may then allocate the increment between the current assessed value of the real property and the base assessed value into a special "Tax Increment Financing Fund". This fund is used to pay the principal and interest on obligations issued or development project cost commitments entered into to finance the redevelopment.

While current law does not explicitly limit development project areas exclusively to blighted areas, the law acknowledges that blighted areas constitute a public danger, and that tax increment financing is essential to the public interest in order to encourage private investment in these areas. Current law defines "blighted area" as any area within the borders of a development project area which impairs economic values and tax revenues, causes an increase in and spread of disease and crime, and is a menace to the health, safety, morals and welfare of the citizens of the Commonwealth; or any area which endangers the public health, safety and welfare because commercial, industrial and residential structures are subject to dilapidation, deterioration, obsolescence, inadequate ventilation, inadequate public utilities and violations of minimum health and safety standards; or any area previously designated as a blighted area for purposes of creating a redevelopment area.

### Proposal

This bill would specify that only blighted areas may be designated as development project areas for purposes of tax increment financing.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/20/2012 KP  
DLAS File Name: SB306F161