

DEPARTMENT OF TAXATION

2013 Fiscal Impact Statement

1. **Patron** Richard L. Anderson

3. **Committee** Senate Finance

4. **Title** Local Taxes; Boards of Equalization

2. **Bill Number** HB 1598

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

Second House:

☒ In Committee

☐ Substitute

☐ Enrolled

5. Summary/Purpose:

This bill would make a number of changes to various provisions governing local Boards of Equalization. The bill would: 1) set stricter requirements for legal and financial professionals serving on certain Boards of Equalization; 2) allow applications for complaints to the Board to be made electronically, and set forth requirements for mailing and submitting paper applications; 3) specify the evidence that a board may and may not consider in hearing complaints; 4) allow a taxpayer to appoint a representative who may apply to the Board on the taxpayer's behalf to adjust the assessment; and 5) prohibit the Board from increasing assessments on commercial, multifamily, residential or industrial property without the assessor's recommendation and compliance with certain procedures.

Under current law, circuit courts within each county or city are authorized to appoint Boards of Equalization that will hear complaints regarding real property assessments, and may increase, decrease, or confirm assessments based on fairness.

The provisions of this bill related to: i) electronic filing, ii) the evidence that a board may and may not consider, and iii) the appointment of a representative would be effective for assessment appeals made for tax years beginning on or after January 1, 2014.

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

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

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:

Boards of Equalization

Circuit courts within each county or city are authorized to appoint a three-to-five member Board of Equalization, whose purpose is to hear complaints regarding a lack of uniformity or errors in acreage in a real property assessment and complaints that real property is assessed at more than fair market value. Once the Board hears these complaints, it is authorized to increase, decrease, or confirm assessments based on fairness. If the Board determines that an increase in the assessment amount is required, it must provide notice to the owner of the property and an opportunity to show cause against such increase before the increase is applied.

The circuit court of the city or county must appoint the Board of Equalization in the tax year immediately following the year of reassessment or annual or biennial assessment unless the locality has appointed a permanent board. The Board expires one year after the effective date of the assessment for which the board was appointed.

Boards of Equalization members must be residents of the county or city in which they will serve, and must be appointed from the citizens of the county or city. Thirty percent of the members of the board must be commercial or residential real estate appraisers, other real estate professionals, builders, developers, or legal or financial professionals. A Board of Equalization member cannot be a member of the board of assessors for the same reassessment. Board members are required to attend and participate in a course given by the Department of Taxation, and once every four years of service, each Board member must take continuing education instruction provided by the Tax Commissioner.

Special provisions apply for Boards considering appeals of commercial or multi-family residential property in localities with populations that exceed 100,000. Thirty percent of the board members must be commercial or multi-family residential real estate appraisers licensed and certified by the Virginia Real Estate Appraiser Board to serve as general real estate appraisers, other commercial or multi-family real estate professionals or licensed commercial or multi-family real estate brokers, builders, developers, active members of the Virginia State Bar, or other legal or financial professionals with knowledge of the valuation of property, real estate transactions, building costs, accounting, finance, or statistics.

Proposal

Board Member Qualification

This bill would require that for Boards considering appeals of commercial or multi-family residential property in a locality with a population exceeding 100,000, the legal or financial professionals' practice areas must require knowledge of the valuation of property, real estate transactions, building costs, accounting, finance, or statistics. The bill would also expand the pool of candidates that may serve on the board to include retired members of the Virginia State Bar.

Electronic Forms

The bill would authorize localities to receive complaints electronically, and would mandate that for those taxpayers that continue to file their complaints by paper, the forms must be submitted before the established deadline, and, if mailed, the post mark date must be considered the date of receipt. The bill would also prohibit a board from denying relief due to a lack of information on the application for complaints regarding residential property, provided the application includes the address, parcel number, and owner's proposed assessed value for the property; or for complaints regarding commercial, multi-family, or industrial property assessments, provided documentation of applicable assessment methodologies is submitted with the application, and the application includes the address, parcel number, and owner's proposed assessed value for the property.

Evidence to Consider

The bill would authorize the Board to consider any statement of income and expense or market sales that occurred through December 31, prior to the effective date of the assessment, provided the information is submitted to the board no later than the locality's deadline for the application for relief. The bill would prohibit the board from considering studies or analyses published after December 31 immediately preceding the effective date of the assessment for appeals filed relating to the assessment.

Taxpayer May Appoint a Representative

The bill would allow the aggrieved taxpayer to appoint a representative to apply to the Board for the adjustment to fair market value and equalization of his assessment, provided the taxpayer provides an executed and properly notarized letter designating an appointed representative for the taxpayer.

Requirements Before Board May Increase Assessment

The bill would also require that before a Board may increase an assessment on commercial, multifamily, residential or industrial property, the increase must be recommended by the assessor, after providing the Board with an appraisal performed by an independent contractor licensed and certified by the Virginia Real Estate Appraiser Board to serve as a general real estate appraiser. The appraisal would need to affirm that the increase in value represents the property's fair market value as of the date of the assessment in dispute.

The provisions of this bill related to: i) electronic filing, ii) the evidence that a board may and may not consider, and iii) the appointment of a representative would be effective for assessment appeals made for tax years beginning on or after January 1, 2014.

cc : Secretary of Finance

Date: 2/11/2013 KP
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