

DEPARTMENT OF TAXATION

2013 Fiscal Impact Statement

1. **Patron** Barry D. Knight

3. **Committee** Senate Local Government

4. **Title** Real Property and Tangible Personal
Property Tax; City of Bedford

2. **Bill Number** HB 1756

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would clarify the transition of real and personal property taxation of property currently located in the City of Bedford that will become the Town of Bedford within the County of Bedford on July 1, 2013 due to the City's reversion to town status. The County would be required to assess town and county real property taxes on such property for a short tax year, beginning July 1, 2013 and ending December 31, 2013, with a January 1, 2013 tax day, but based on the City's July 1, 2012 assessment of the property, at the rates imposed in the County and Town reduced by one-half to account for the short tax year. Additionally, the bill would authorize owners of real property in the Town to apply to both the County and the Town for the special use value assessment on qualifying property for the short tax year by submitting their application by August 1, 2013.

Currently, the City of Bedford and the County of Bedford are separate taxing jurisdictions.

This bill contains an emergency clause and is in effect from the date of its passage.

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. This bill would increase real and tangible personal property tax revenues in the County of Bedford to the extent that such property currently located in the City of Bedford will be subject to the County tax after the reversion.

9. Specific agency or political subdivisions affected:

County, City, and Town of Bedford

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Reversion from City to Town

Virginia law authorizes cities with a population of less than 50,000 people to petition the circuit court for a change from city status to town status. The city must follow the process set forth in the *Code of Virginia* for obtaining the change in status, including notifying the Commission on Local Government and petitioning the circuit court, which makes the final determination as to whether the change in status petition will be granted, based upon a number of factors, including how the reversion will affect the adjoining county, whether the reversion will result in an equitable sharing of the resources between the two localities, and whether the reversion is in the best interest of the city, county and the Commonwealth.

Real Property Taxes

Under current law, all real estate is subject to such annual taxation as prescribed by law, unless there is an exemption under law. Real estate in Virginia is assessed at 100 percent of its fair market value. Real property tax bills are based on the real property assessment and the real property tax rate, which is set annually by the local governing board.

Virginia law requires every city to have a general reassessment of real estate every two years. However, the law authorizes cities with a total population of 30,000 or less to elect, by a majority vote of its council, to conduct its general reassessments at four-year intervals.

In Virginia, counties are required to have a general reassessment of real estate every four years. However, any county with a total population of 50,000 or less, as well as Augusta County, may elect, by majority vote of its board of supervisors, to conduct its general reassessments at either five-year or six-year intervals.

Virginia towns may conduct general reassessments every four years.

Counties may not impose real property taxes on residents of independent cities, but they may impose such taxes on the residents of towns within their jurisdiction. Towns may also impose real property taxes on their residents. Where real property is located in a county and within the corporate limits of a town, both localities have the authority to collect real property taxes on such property.

County of Bedford

Currently, the real property tax is levied at \$0.50 per \$100 of assessed value in Bedford County. The tax is due twice per year, on June 5 and December 5. Reassessments are conducted every four years.

City of Bedford

As of January 1, 2012, the real property tax was levied at \$0.86 per \$100 of assessed value in the City of Bedford. Taxes are levied on a calendar year basis and are due four times per year on September 30, December 31, March 31, and June 5. Reassessments are conducted every four years. The last reassessment was conducted in 2010, and the effective date of the values was applied beginning July 1, 2010.

Land Use Taxation

Land use valuation and taxation is intended to encourage conservation by providing tax relief to the owner of real estate devoted solely to agricultural, horticultural, forest, or open space use. Under land use taxation programs, the land dedicated to the special use is taxed at its use value, which is typically lower than its full fair market value. In valuing land at its use value, the assessing officer considers only the value of the real estate based on its current use. The assessing officer does not consider the fair market value of the land at its most profitable use.

Owners of real property situated in a locality that has adopted a land-use plan and ordinance providing for use value assessment may apply to their local assessing officer for taxation of their real property on the basis of use value. Such owners must devote a minimum number of acres of real property to agricultural, horticultural, forest, or open space use.

When the qualified use of real estate changes to a nonqualified use or is zoned for a more intensive use at the request of the owner, roll-back tax liability attaches to the land. Roll-back taxes are the difference between what real property taxes would have been had real property been assessed at fair market value compared to real property taxes based upon use value.

Proposal

This bill would require Bedford County to assess real property with a January 1, 2013 tax day that is currently located in the City of Bedford but will be located in the Town of Bedford effective July 1, 2013 due to the City's reversion to town status. Based on the City of Bedford's July 1, 2012 assessment, the property would be subject to the county's real property tax for a short tax year, beginning July 1, 2013 and ending December 31, 2013, reduced by one-half to account for the short tax year. The bill would also require that any town real property taxes for the town's tax year, beginning July 1, 2013 and ending June 30, 2014, be based on the assessment made by Bedford County as of January 1, 2013, and be subject to the real property tax at the rate imposed at the real property tax rate in effect in the Town of Bedford as of July 1, 2013. Additionally, the bill would authorize owners of real property in the City or Town of Bedford to apply to both

the County and Town of Bedford for the special use value assessment on qualifying property with respect to the real property tax imposed in both localities.

General Assessment

Under the terms of the bill, Bedford County would need to base the real property tax assessment on Bedford City's real property assessments as of July 1, 2012. Bedford County would be authorized to use these assessments to levy the county real property taxes on property located in the Town of Bedford until Bedford County conducted its next reassessment.

Rate

The Bedford County taxes levied on property located in the Town of Bedford would be levied according to the real property tax rate in effect in Bedford County as of January 1, 2013, but the amount of tax due would be reduced by one-half to reflect the short tax year.

The Town of Bedford taxes would be levied according to the real property tax rate in effect in the Town of Bedford as of July 1, 2013, reduced by one-half to reflect the short tax year. For purposes of the real property tax, subsequent tax years would begin on January 1 unless the Town elected to impose the tax on a fiscal year basis.

Land Use Taxation

Provided the Town or City of Bedford adopted an ordinance providing for a land use program by July 15, 2013, real property owners in the City or Town of Bedford could apply to the Town of Bedford for the special use value assessment on qualifying property for the tax year beginning July 1, 2013 by submitting their application to the Commissioner of the Revenue of Bedford County by August 1, 2013. They could also apply for assessment in the County of Bedford for the short tax year by submitting their application to the Commissioner of the Revenue of Bedford County by August 1, 2013. Qualifying property owners that applied by the specified dates would not incur a late filing fee.

Tangible Personal Property Tax

The bill would also require the City of Bedford to impose tangible personal property tax for the tax year beginning January 1, 2013, based on the Commissioner of the Revenue in the City of Bedford's January 1, 2013 assessment. Tangible personal property taxes would be due on the date established by the City of Bedford, but if the due date falls after July 1, 2013, the taxes would be due and collectible by the Town of Bedford.

This bill contains an emergency clause and is in effect from the date of its passage.

Similar Legislation

Senate Bill 1041 is similar to this bill, but does not address land use taxation programs and does not address how the reversion will affect tangible personal property taxes for the City of Bedford.

cc : Secretary of Finance

Date: 2/5/2013 KP

DLAS File Name: HB1756FE161