

Commission on Local Government

Estimate of Local Fiscal Impact
2013 General Assembly Session

Bill: HB 1860 **Patron:** Orrock **Date:** January 21, 2013

In accordance with the provisions of §30-19.03 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of the above-referenced legislation:

I. Bill Summary

HB 1860 specifies that outdoor advertising signs are included in the class of tangible personal property used in a trade or business, and requires localities to tax such signs as personal property, not as real property. The bill also prohibits such signs or income generated by such signs to be considered in assessing the value of real property. The bill states that an emergency exists and it is in force from its passage. The bill applies to tax years beginning on or after January 1, 2013.

II. Fiscal Impact Analysis

The Commission on Local Government (CLG) received fiscal impact statements from 17 localities – the Counties of Augusta, Campbell, Henrico, Pulaski, Rappahannock, Spotsylvania, and Westmoreland; the Cities of Chesapeake, Danville, Lynchburg, Norfolk, Richmond, Virginia Beach, and Winchester; and the Towns of Louisa, Strasburg, and Wytheville.

Thirteen of the responding localities – the Counties of Campbell, Henrico, Rappahannock, and Spotsylvania; the Cities of Chesapeake, Danville, Lynchburg, Norfolk, Virginia Beach, and Winchester; and the Towns of Louisa, Strasburg, and Wytheville – reported that they would not experience a net decrease in revenues.

Campbell County, Henrico County, the City of Chesapeake, the City of Danville, the City of Lynchburg, and the City of Norfolk stated that they already tax outdoor advertising signs as personal property and not real estate.

The Towns of Louisa and Wytheville indicated that there was potential for them to generate additional revenue by taxing at the tangible personal property rate instead of the real property rate.

Two of the responding localities – The Counties of Pulaski and Westmoreland – indicated that they would experience a revenue decrease of less than \$5,000.

The two remaining respondents – Augusta County and the City of Richmond – reported that they would experience a revenue decrease of over \$5,000. Augusta County did not provide a revenue reduction estimate, but expressed concern that the value of the real property on which these signs reside will decrease, resulting in a long-term reduction in real property taxes. While they were also unable to provide an exact estimate, the City of Richmond stated that the revenue loss could come from outdoor advertising signs no longer being attached to the value of real property. They believe that these losses would exceed \$5,000.

III. Conclusion

HB 1860 classifies outdoor advertising signs as tangible personal property used in a trade or business and requires that localities tax it as personal property rather than real property. Additionally, these signs can no longer be used in assessing the value of real property. The bill also includes an emergency clause and would be applicable to tax years beginning on January 1, 2013.

The majority of respondents indicated that they will not be affected by the provisions of HB 1860 because they are currently taxing outdoor advertising signs as tangible personal property.

Those localities that tax outdoor advertising signs as real property could experience a reduction in revenues in the future. When these signs are no longer a part of the real property assessment, real estate tax revenue will decrease. Additionally, tangible personal property is subject to depreciation, which means that the amount a locality receives in personal property taxes on an outdoor advertising sign will decrease over the course of its useful life.