

DEPARTMENT OF TAXATION

2013 Fiscal Impact Statement

1. **Patron** Thomas A. Garrett

3. **Committee** Senate Finance

4. **Title** Real Property Tax; Land Use Valuation

2. **Bill Number** SB 799

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would add Goochland County to the list of counties that are authorized to enact an ordinance excluding land lying in planned development, industrial or commercial zoning districts established prior to January 1, 1981 from their land use assessment programs. In addition, the bill would authorize each of the counties given this authority to exclude land lying in service districts from its land use assessment program. The bill would also give the governing bodies in those localities the discretion of whether to impose roll-back taxes on property located in service districts, and would require the localities to apply or withhold roll-back taxes uniformly in all such service districts.

Under current law, the counties of Albemarle, Arlington, Augusta, James City, Loudoun, and Rockingham are permitted to exclude land lying in planned development, industrial or commercial zoning districts established prior to January 1, 1981 from their land use assessment programs for purposes of the real property tax.

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.

The counties of Albemarle, Arlington, Augusta, Goochland, James City, Loudoun, and Rockingham reported a land use assessment ordinance in effect for the 2010 year. To the extent that these counties elect to exclude land in service districts from their land use assessment programs, the bill would result in an unknown revenue increase in these localities. To the extent that these counties utilize the authority granted by this bill to elect not to impose roll-back taxes in service districts, the bill would result in an unknown revenue decrease in those localities.

9. Specific agency or political subdivisions affected:

Albemarle, Arlington, Augusta, Goochland, James City, Loudoun, and Rockingham Counties

10. Technical amendment necessary: No.

11. Other comments:

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. Roll-back tax liability is computed by adding the amount of deferred taxes for the past five years and simple interest at the rate applicable to delinquent taxes. In localities that have adopted a sliding scale ordinance, the roll-back tax may be imposed for each of the tax years since the property became subject to land use taxation. Liability for roll-back taxes attaches and is paid to the treasurer only if the amount of tax due exceeds ten dollars.

Currently, the counties of Albemarle, Arlington, Augusta, James City, Loudoun, and Rockingham are permitted to exclude by ordinance land lying in a planned development, industrial or commercial zoning districts established prior to January 1, 1981 from special land use assessments. If, at the request of the owner or his agent, the zoning of real property is changed to allow a more intensive nonagricultural use of the property, the locality may exclude such property from special assessment taxation, and roll-back taxes apply. Any such exclusion does not apply, however, to property that was previously zoned agricultural, and is subsequently rezoned to a more intensive use that is complementary to agricultural use, provided the property maintains the same ownership as before the rezoning.

Service Districts

Virginia law authorizes any locality to create service districts within the locality, by ordinance. The purpose of service districts is to provide additional, more complete or more timely services of government than are desired in the locality or localities as a whole. Localities seeking to create a service district must conduct a public hearing prior to the district's creation. The ordinance establishing the service district must include the name and boundaries of the proposed district; specify any areas within the district that are to be excluded; describe the purposes of the district and the facilities and services proposed within the district; describe a proposed plan for providing such facilities and services within the district; and describe the benefits which can be expected from the provision of the proposed facilities and services within the district. Upon passage of an ordinance creating a service district, localities are statutorily granted several powers with respect to these districts. Among these powers, localities may levy and collect an annual tax on any property in the service district that is subject to local taxation to pay for the expenses and charges for providing certain governmental services to the locality.

Proposal

This bill would add Goochland County to the list of counties that are authorized to enact an ordinance excluding land in planned development, industrial or commercial zoning districts established prior to January 1, 1981 from their land use assessment programs. In addition, the bill would authorize each of the counties given this authority to exclude land lying in service districts from its land use assessment program. The bill would also permit the governing bodies in those localities to impose roll-back taxes on property located in service districts, and would require localities to apply or withhold roll-back taxes uniformly in all such service districts.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/12/2013 KP
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