

DEPARTMENT OF TAXATION

2015 Fiscal Impact Statement

1. **Patron** Mark L. Keam

3. **Committee** House Finance

4. **Title** Real Property Tax; Commercial Real Estate
in Northern Virginia and Hampton Roads

2. **Bill Number** HB 2095

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would require counties imposing the real property tax on certain commercial and industrial property for transportation purposes to appropriate 30 percent of the revenue generated from property located in any town within such county that constructs and maintains its streets to be used for transportation purposes, unless the county and town agree otherwise.

Under current law, the real property tax on certain commercial and industrial property may be imposed by the localities wholly embraced by the Northern Virginia Transportation Authority and the Hampton Roads metropolitan planning area on either 1) on all commercial and industrial property, with the revenues generated used exclusively for transportation purposes that benefit the locality imposing the tax, or 2) on the commercial and industrial property located in special regional transportation tax districts created within the locality's boundaries, with the revenues generated used exclusively for transportation purposes that benefit the special regional transportation tax district. The rate of the real property tax on certain commercial and industrial property may not exceed \$0.125 per \$100 in the Northern Virginia localities and \$0.10 per \$100 in the Hampton Roads localities.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No

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

8. **Fiscal implications:**

To the extent that any town constructs and maintains its streets within a county imposing the tax, this bill would have result in unknown revenue increase for the town and a corresponding revenue decrease for the county in which it is located. According to *Virginia Local Tax Rates, 2013*, published by the Weldon Cooper Center for Public Service, only Fairfax City, at a rate of \$0.06 per \$100 of assessed value; Arlington County, at a rate of \$0.12 per \$100 of assessed value; and Fairfax County, at a rate of

\$0.12 per \$100 of assessed value, have imposed the real property tax on certain commercial and industrial property. This bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

Cities of Alexandria, Chesapeake, Fairfax, Falls Church, Hampton, Manassas, Manassas Park, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg

Counties of Arlington, Fairfax, Isle of Wright, James City, Loudoun, Prince William and York

10. Technical amendment necessary: No.

11. Other comments:

Tax on Commercial and Industrial Real Property in Transportation Authorities

House Bill 3202 (*Acts of Assembly* 2007, Chapter 896) authorized the localities wholly embraced by the Northern Virginia Transportation Authority and the Hampton Roads metropolitan planning area, as of January 1, 2008, to impose a real property tax on either 1) on all commercial and industrial property, with the revenues generated used exclusively for transportation purposes that benefit the locality imposing the tax, or 2) on the commercial and industrial property located in special regional transportation tax districts created within the locality's boundaries, with the revenues generated used exclusively for transportation purposes that benefit the special regional transportation tax district.

The revenues from the tax must be used solely for i) new road construction, design, and right of way acquisition, including new additions to, expansions, or extensions of existing roads that add new capacity, service, or access, ii) new public transit construction, design, and right of way acquisition, including new additions to, expansions, or extensions of existing public transit projects that add new capacity, service, or access, iii) other capital costs related to new transportation projects and directly related operating costs, or iv) the issuance costs and debt service on bonds that may be issued to support the capital costs.

The Northern Virginia Transportation Authority embraces the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park and the Counties of Arlington, Fairfax, Loudoun, and Prince William. The member localities of the Northern Virginia Transportation Authority are currently authorized to impose an additional real property tax of \$0.125 per \$100 of assessed value on real property used for or zoned to permit commercial or industrial uses.

The Hampton Roads metropolitan planning area embraces the Cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg and the Counties of Isle of Wright, James City, and York. The member localities of the Hampton Roads Transportation Authority are currently authorized to impose an additional real property tax of \$0.10 per \$100 of assessed value on real property used for or zoned to permit commercial or industrial uses.

Proposal

This bill would require counties imposing the real property tax on certain commercial and industrial property for transportation purposes to appropriate 30 percent of the revenue generated from property located in any town within such county that constructs and maintains its streets to be used for transportation purposes, unless the county and town agree otherwise.

The effective date of this bill is not specified.

Similar Legislation

Senate Bill 887 is identical to this bill.

cc : Secretary of Finance

Date: 1/25/2015 AM
DLAS File Name: HB2095F161