

# DEPARTMENT OF TAXATION

## 2016 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 1382

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would require 30 percent of the revenues from the real property tax on certain commercial and industrial property that is generated from property located in certain towns to be appropriated to such town. Unless the county and town agree otherwise, the bill would require the county imposing the tax to provide such revenues to any town that receives payments from the Commissioner of Highways for the maintenance, construction, or reconstruction of arterial roads.

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 either 1) on such property, with the revenues generated used exclusively for transportation purposes that benefit the locality imposing the tax, or 2) on such 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 within a county imposing the tax receives payments from the Commissioner of Highways for the maintenance, construction, or reconstruction of arterial roads, 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, 2014*, 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:**

Maintenance Payments

*Virginia Code* § 33.2-319 sets out the provisions for payments for the maintenance and operation of arterial roads to (i) all towns that have a population of more than 3,500; (ii) Chase City, Elkton, Grottoes, Narrows, Pearisburg, and Saltville; (iii) all cities; and (iv) the Towns of Altavista, Lebanon, and Wise. The Commonwealth Transportation Board is responsible for allocating, from the funds made available for highway purposes, an amount it deems reasonable and necessary for the maintenance of roads, city and town street maintenance payments made pursuant to *Va. Code* § 33.2-319, and payments made to counties that have withdrawn or elect to withdraw from the secondary state highway system pursuant to *Va. Code* § 33.2-366.

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. Such localities 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 30 percent of the revenues from the real property tax on certain commercial and industrial property that is generated from property located in certain towns to be appropriated to such town. Unless the county and town agree otherwise, the bill would require the county imposing the tax to provide such revenues to any town that receives payments from the Commissioner of Highways for the maintenance, construction, or reconstruction of arterial roads.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/30/2016 AM  
DLAS File Name: HB1382F161