

DEPARTMENT OF TAXATION

2017 Fiscal Impact Statement

1. **Patron** Robert D. Orrock, Sr.

3. **Committee** Senate Finance

4. **Title** Real Property Tax; Special Assessment for
Land Preservation

2. **Bill Number** HB 1476

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would prohibit any locality from requiring any taxpayer who is the lessor of real property to produce the lease for the purpose of determining whether the property is eligible for land use assessment and taxation.

Under current law, a property owner may make an application for taxation on the basis of a special use value assessment rather than assessment of fair market value based on best possible use of the property. Under current law, localities are not prohibited from requiring lessors of real property to produce leases for the purpose of determining special assessment eligibility of land.

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:**

Administrative Costs

Localities that have adopted a land-use plan with a special assessment based on land use may incur an unknown increase in administrative costs due to the need for alternate methods of factual verification of special assessment applications if leases are no longer examinable.

Revenue Impact

Localities that have adopted a land-use plan with a special assessment based on land use may experience an unknown revenue loss from an increased number of properties applying for and receiving special assessment treatment.

This bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected: Localities that make special use assessments for land preservation.

10. Technical amendment necessary: No.

11. Other comments:

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.

Property owners must submit an application for use assessment:

- At least sixty days preceding the tax year for which such taxation is sought; or
- In any year in which a general reassessment is being made, until thirty days have elapsed after his notice of increase in assessment is mailed, or sixty days preceding the tax year, whichever is later; or
- In any locality which has adopted a fiscal tax year but continues to assess as of January 1, at least sixty days preceding the effective date of the assessment for such year.

Under current law, localities may, by ordinance, permit applications to be filed within sixty days after the above deadlines, upon the payment of a late filing fee to be established by the locality.

Proposal

This bill would prohibit any locality from requiring any taxpayer who is the lessor of real property to produce the lease for the purpose of determining whether the property is eligible for land use assessment and taxation.

cc : Secretary of Finance

Date: 1/27/2017 VB
HB1476FE161