

**DEPARTMENT OF TAXATION
2018 Fiscal Impact Statement**

- 1. **Patron** Timothy D. Hugo
- 3. **Committee** Senate Finance
- 4. **Title** Real Property Tax; Land Use Taxation

- 2. **Bill Number** HB 1204
House of Origin:
 Introduced
 Substitute
 Engrossed

Second House:
 X **In Committee**
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would require that a commissioner of the revenue or other assessing official, at the request of a property owner, determine fair market value by specially and separately assessing any real estate devoted to open-space use, that contains at least five acres. Such provision would apply regardless of whether or not the locality has adopted an ordinance to provide for use value assessment of real estate dedicated to open-space. The bill would mandate that the actual physical use of the property would be the only determining factor of its value.

This bill would apply only to any county with a population according to the July 1, 2016 population estimates produced by the Weldon Cooper Center for Public Service at the University of Virginia that is at least 14 percent greater than its population according to the 2010 federal census. Two counties (Arlington and Loudoun) would qualify under this provision.

This bill would be effective for taxable years beginning on or after January 1, 2018.

- 6. **Budget amendment necessary:** No
- 7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)
- 8. **Fiscal implications:**

Administrative Cost

Qualifying localities may experience an unknown administrative cost as a result of this bill.

Revenue Impact

Qualifying localities may experience an unknown negative impact on revenues as a result of this bill.

This bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

Counties of Arlington and Loudoun

10. Technical amendment necessary: No

11. Other comments:

Land Use Taxation

Under current law, every assessor or appraiser must, as soon as practicable ascertain and assess the fair market value of all lands and lots assessable by them.

Any county, city or town which has adopted a land-use plan may adopt an ordinance to provide for use value assessment and taxation of real estate devoted to agricultural, horticultural, forest, or open-space use.

In a county, city or town that has adopted such an ordinance, the owner of real property may apply for land-use valuation at least sixty days before the tax year for which such taxation is sought. The commissioner of the revenue or assessor must determine if a particular parcel of real estate meets the criteria for one of the classifications of property eligible for use value assessment. Properties that meet the criteria are valued based on factors determining their agricultural, horticultural, forest or open space use.

In addition to valuing the property based on its use, the assessing official must also determine the fair market value of the property as determined for all other real estate in the taxing jurisdiction. Both values are recorded in the land book records for the locality.

Open-Space Use

Open space is defined as real estate used as, or preserved for, (i) park or recreational purposes, including public or private golf courses, (ii) conservation of land or other natural resources, (iii) floodways, (iv) wetlands as defined in *Va. Code* § 58.1-3666, (v) riparian buffers as defined in *Va. Code* § 58.1-3666, (vi) historic or scenic purposes, or (vii) assisting in the shaping of the character, direction, and timing of community development or for the public interest and consistent with the local land-use plan.

Proposal

This bill would require that a commissioner of the revenue or other assessing official, at the request of a property owner, determine fair market value by specially and separately assessing any real estate devoted to open-space use, that contains at least five acres. Such provision would apply regardless of whether or not the locality has adopted an ordinance to provide for use value assessment of real estate dedicated to open-space. The bill would mandate that the actual physical use of the property would be the only determining factor of its value.

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Similar Legislation

House Bill 871 would expand the definitions of “real estate devoted to agricultural use” and “real estate devoted to horticultural use” to be used in the special classification of real estate that is eligible for a use value assessment.

House Bill 1442 would require that the commissioner of the revenue or other assessing official specially and separately assess at fair market value all wetlands on real property, if requested by the owner.

cc : Secretary of Finance

Date: 2/16/2018 SK
DLAS File Name: HB1204F161