

**DEPARTMENT OF TAXATION
2018 Fiscal Impact Statement**

1. **Patron** Betsy B. Carr

2. **Bill Number** HB 591

3. **Committee** Passed House and Senate

House of Origin:
 Introduced
 Substitute
 Engrossed

4. **Title** Land Bank Entities; Real Property Tax
Exemption for Certain Leasehold Interests

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

5. Summary/Purpose:

This bill would exempt leasehold interests in property owned by land bank entities from real property taxation.

Under current law, any real property owned by a land bank entity is exempt from taxation pursuant to *Va. Code* § 15.2-7510. However, leasehold interests in real property owned by land bank entities are not specifically exempted from real property taxation and are therefore taxable.

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 an unknown negative impact on local revenues of localities that currently levy real property taxes on leasehold interests in property owned by land bank entities.

This bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

Localities which currently levy real property taxes on leasehold interests in property owned by land bank entities.

10. **Technical amendment necessary:** No.

11. Other comments:

Land Bank Entities

The creation of land bank entities was authorized by 2016 *Acts of Assembly*, Chapters 159 and 383. Land bank entities are corporate or nonprofit entities established or designated by local ordinance for the purpose of helping such locality deal with vacant, abandoned, and tax delinquent properties. These entities are designated as a public body corporate and treated as political subdivisions of the Commonwealth.

In order to fulfill the role for which it was created, a land bank entity is empowered to, among others, accept real estate and money grants, accept donations, borrow money, enter into contracts, invest funds, demolish or rehabilitate properties, and act as landlord for properties owned by the entity.

Under current law, any real property owned by a land bank entity is exempt from taxation pursuant to *Va. Code* § 15.2-7510. Leasehold interests in land or improvements that are exempt from taxation to the owner are taxable to the lessee.

Proposal

This bill would exempt leasehold interests in property owned by land bank entities from real property taxation.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 3/2/2018 VB
HB591FER161