

**DEPARTMENT OF TAXATION
2018 Fiscal Impact Statement**

1. **Patron** Robert D. Orrock, Sr.
3. **Committee** Senate Finance
4. **Title** Real Property Tax; Land Use Valuation

2. **Bill Number** HB 871
House of Origin:
 Introduced
 Substitute
 Engrossed
- Second House:**
 X **In Committee**
 Substitute
 Enrolled

5. Summary/Purpose:

This bill 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. It would expand the definitions to include property devoted to the production of products made from plants, animals, fruits, vegetables and nursery products on such property.

This bill would also clarify that a property would not lose such designation solely because of its location in a newly created zoning district that was not requested by the property owner

The bill would provide that the minimum time a parcel must be used for a qualifying purpose would include the time similar property was leased by the owner to a lessee and provide a shorter minimum length of time for real property with no prior qualifying use to qualify.

Further, the bill would extend the time before which an owner could be required to revalidate the special classification.

Under current land-use taxation, land dedicated to the special use is valued based on its current use rather than its full fair market value. Owners of real property situated in a locality that has adopted a land-use plan and ordinance providing for use value assessments may apply to their local assessing officer for taxation of their real property on the basis of use value.

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 could have unknown administrative costs associated with this bill.

Revenue Impact

To the extent that additional properties qualify for land use taxation, localities could 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, cities and towns with land-use valuation programs

10. Technical amendment necessary: No

11. Other comments:

Land-Use Taxation

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 valued based on its current use rather than its full fair market value.

Owners of real property situated in a locality that has adopted a land-use plan and ordinance providing for use value assessments 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.

Under current law, real estate devoted to “agricultural use” means real estate devoted to the bona fide production for sale of plants and animals. Real estate devoted to “horticultural use” means real estate devoted to the bona fide production for sale of fruits, vegetables, and nursery and floral products.

Owners of such property may be required by the local governing to revalidate the land use of their property annually.

Proposal

This bill 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.

This bill would expand the definition for “real estate devoted to agricultural use” from real estate devoted to the bona fide production of plants and animals for sale, to include real property devoted to the production of products made from plants and animals on such property and meeting the requirements and qualifications for payments or other compensation pursuant to soil and water conservation programs under an agreement with an agency of the state or federal government

The definition for “real estate devoted to horticultural use” would be expanded from real estate devoted to the bona fide production for sale of fruits, vegetables, and nursery and floral products to include real property devoted to the bona fide production for sale of products directly produced from fruits, vegetables, nursery and floral products, or plants on such real property that meet the requirements and qualifications for payments or other compensation pursuant to soil and water conservation programs under an agreement with a state or federal agency.

The bill would also provide that if the uniform standards prescribed by the Commissioner require real estate to have been used for a particular purpose for a minimum length of time before qualifying as real estate devoted to agricultural use or horticultural use, the minimum time such a parcel must be used for a qualifying purpose would include the time similar property was leased by the owner to a lessee.

This bill would further require the Commissioner to include in the uniform standards, a shorter minimum length of time for real property with no prior qualifying use if the owner provides a written document of the owner’s intent regarding the use of the property.

This bill would also extend the time before which an owner may be required to revalidate the special classification from annually to at least every six years.

Further, the bill would ensure real estate that is assessed based on use value would not be denied such an assessment solely because of its location in a newly created zoning district that was not requested by the real property owner.

The effective date of this bill is not specified.

Similar Legislation

House Bill 1204 would require that the commissioner an assessing official, at the request of the property owner, to determine fair market value by specially assessing real estate devoted to open-space use that contains at least five acres.

cc : Secretary of Finance

Date: 2/13/2018 SK
DLAS File Name: HB871FE161