

DEPARTMENT OF TAXATION

2019 Fiscal Impact Statement

1. **Patron** Barry D. Knight

2. **Bill Number** HB 2365

3. **Committee** Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Special Assessment for Land Preservation;
Optional Limit on Annual Increase in
Assessed Value

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would authorize localities that employ use value assessments for certain classes of real property to provide by ordinance that the annual increase in the assessed value of eligible property would not exceed a specified dollar amount per acre.

This bill would become effective July 1, 2019.

6. **Budget amendment necessary:** No

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

8. **Fiscal implications:**

Administrative Cost

Localities that adopt this provision may experience unknown administrative costs as a result of this bill. It would have no impact on state administrative costs.

Revenue Impact

Since it would limit annual increases in assessed value to certain properties, localities that adopt this provision may experience an unknown impact on revenues. This bill would have no impact on state revenues.

9. **Specific agency or political subdivisions affected:**

Localities that employ use value assessments

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.

According to the Weldon Cooper Center for Public Service, in 2017 there were 116 localities that used special assessments for different classes of properties. For agriculture, 111 localities used a special assessment; 89 localities used a special assessment for forests; 88 for horticulture; and 62 for open space.

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.

Proposal

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cc : Secretary of Finance

Date: 2/14/2019 SK
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