

DEPARTMENT OF TAXATION

2019 Fiscal Impact Statement

1. **Patron** Dave A. LaRock

3. **Committee** House Finance

4. **Title** Commercial and Industrial Property;
Additional Real Property Tax in Certain
Localities

2. **Bill Number** HB 2575

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would authorize localities within Planning Districts 3, 4, 5, 6, and 7 to levy an additional real property tax by ordinance on certain commercial and industrial property at a rate not to exceed \$0.10 per \$100 of assessed value. The bill would require that any revenue generated from the tax would be used for transportation purposes that benefit either the locality imposing the tax, or if generated on property located in special regional transportation tax districts created within the locality's boundaries, used for transportation purposes that benefit the special regional transportation tax district.

Under current law, the real property tax on certain commercial and industrial property may be imposed by the localities wholly embraced by the Northern Virginia Transportation Authority and the Hampton Roads metropolitan planning area either 1) on such property, with the revenues generated used exclusively for transportation purposes that benefit the locality imposing the tax, or 2) on such property located in special regional transportation tax districts created within the locality's boundaries, with the revenues generated used exclusively for transportation purposes that benefit the special regional transportation tax district. The rate of the real property tax on certain commercial and industrial property may not exceed \$0.125 per \$100 in the Northern Virginia localities and \$0.10 per \$100 in the Hampton Roads localities.

If enacted during the 2019 Regular Session of the General Assembly, 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 Costs

This bill may increase administrative costs in localities that choose to exercise the authority granted to them by this bill to impose the additional tax. This bill would have no impact on state administrative costs.

Revenue Impact

This bill would have a positive revenue impact in localities that choose to exercise the authority granted to them by this bill to impose the additional tax. This bill would have no effect on state revenues.

9. Specific agency or political subdivisions affected:

Localities within Planning Districts 3, 4, 5, 6, and 7: the Counties of Allegheny, Augusta, Bath, Bland, Botetourt, Carroll, Clarke, Craig, Floyd, Franklin, Frederick, Giles, Grayson, Highland, Montgomery, Page, Pulaski, Roanoke, Rockbridge, Rockingham, Shenandoah, Smyth, Warren, Washington, and Wythe; the Cities of Buena Vista, Bristol, Covington, Galax, Harrisonburg, Lexington, Radford, Roanoke, Salem, Staunton, Waynesboro, and Winchester.

10. Technical amendment necessary: No.

11. Other comments:

Tax on Commercial and Industrial Real Property in Transportation Authorities

House Bill 3202 (*Acts of Assembly* 2007, Chapter 896) authorized the localities wholly embraced by the Northern Virginia Transportation Authority and the Hampton Roads metropolitan planning area, as of January 1, 2008, to impose a real property tax on either 1) on all commercial and industrial property, with the revenues generated used exclusively for transportation purposes that benefit the locality imposing the tax, or 2) on the commercial and industrial property located in special regional transportation tax districts created within the locality's boundaries, with the revenues generated used exclusively for transportation purposes that benefit the special regional transportation tax district.

The revenues from the tax must be used solely for i) new road construction, design, and right of way acquisition, including new additions to, expansions, or extensions of existing roads that add new capacity, service, or access, ii) new public transit construction, design, and right of way acquisition, including new additions to, expansions, or extensions of existing public transit projects that add new capacity, service, or access, iii) other capital costs related to new transportation projects and directly related operating costs, or iv) the issuance costs and debt service on bonds that may be issued to support the capital costs.

The Northern Virginia Transportation Authority embraces the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park and the Counties of Arlington, Fairfax, Loudoun, and Prince William. The member localities of the Northern Virginia

Transportation Authority are currently authorized to impose an additional real property tax of \$0.125 per \$100 of assessed value on real property used for or zoned to permit commercial or industrial uses.

The Hampton Roads metropolitan planning area embraces the Cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg and the Counties of Isle of Wright, James City, and York. Such localities are currently authorized to impose an additional real property tax of \$0.10 per \$100 of assessed value on real property used for or zoned to permit commercial or industrial uses.

Proposal

This bill would authorize localities within Planning Districts 3, 4, 5, 6, and 7 to levy an additional real property tax by ordinance on certain commercial and industrial property at a rate not to exceed \$0.10 per \$100 of assessed value. The bill would require that any revenue generated from the tax would be used for transportation purposes that benefit either the locality imposing the tax, or if generated on property located in special regional transportation tax districts created within the locality's boundaries, used for transportation purposes that benefit the special regional transportation tax district.

If enacted during the 2019 Regular Session of the General Assembly, this bill would become effective July 1, 2019.

cc : Secretary of Finance

Date: 1/21/2019 VB
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