

DEPARTMENT OF TAXATION

2018 Fiscal Impact Statement

1. **Patron** Mark L. Keam

3. **Committee** House Finance

4. **Title** Local Taxes; Appeals to Boards of Equalization

2. **Bill Number** HB 787

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would clarify the burden of proof standard in an appeal of an assessment of local taxes brought before a board of equalization. It would add a provision that the taxpayer does not need to show that the assessment is a result of manifest error or disregard of controlling evidence.

The bill would also add a provision that if an assessment of real or personal property that is the subject of an appeal is an increase of more than 20 percent over the assessment for the same property for the prior tax year, except in cases of buildings constructed in the previous five years, the assessor shall have the burden of proving by a preponderance of the evidence that the assessment is correct.

Under current law, the burden of proof is on the taxpayer to show that the property in question is valued at more than its fair market value or that the assessment is not uniform in its application, or that the assessment is otherwise invalid or illegal

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No

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

8. **Fiscal implications:**

Administrative Costs

Localities could experience unknown administrative costs as a result of this bill. There would be no impact on state administrative costs.

Revenue Impact

To the extent that this bill makes it easier for taxpayers to succeed in local tax appeals before a board of equalization, localities could experience an unknown revenue loss as a result of this bill. There would be no impact on state revenues.

9. Specific agency or political subdivisions affected: All localities

10. Technical amendment necessary: No

11. Other comments:

Current Law

Under current law, a circuit court within each city and each county, or the board of supervisors in a county with a with a county executive or county manager form of government, must appoint a board of equalization to hear appeals of real property assessments in each tax year immediately following the year of a general reassessment or annual or biennial assessment.

Alternatively, any county or city that uses the annual assessment method or the biennial assessment method, may elect to create a permanent board of equalization to hear appeals of real property assessments.

Boards of equalization are established for the purpose of hearing complaints of inequalities wherein the property owners allege a lack of uniformity in assessment, or errors in acreage in such real estate assessments. In these proceedings, the taxpayer has the burden of proving that the property assessment is incorrect or invalid.

At all hearings before boards of equalization, there is a presumption that the valuation determined by the assessor is correct. The burden of proof on appeal to the board is on the taxpayer to rebut the presumption and show by a preponderance of the evidence that the property in question is valued at more than its fair market value or that the assessment is not uniform in its application and that it was not arrived at in accordance with generally accepted appraisal practices, procedures, rules, and standards as prescribed by nationally recognized professional appraisal organizations such as the International Association of Assessing Officers (IAAO) and applicable Virginia law relating to valuation of property.

Proposal

This bill would clarify the burden of proof standard in an appeal of an assessment of local real estate taxes brought before a board of equalization. It would add a provision clarifying that the taxpayer does not need to show that the assessment is a result of manifest error or disregard of controlling evidence.

The bill would also add a provision stating that if an assessment of real property that is the subject of an appeal is an increase of more than 20 percent over the assessment for the same property for the prior tax year, except in cases of buildings constructed in the

previous five years, the assessor shall have the burden of proving by a preponderance of the evidence that the assessment is correct.

The effective date of this bill is not specified.

Similar Legislation

House Bill 786 would revise the burden of proof standard in circuit court cases appealing any local tax assessments.

cc : Secretary of Finance
Date: 1/18/2018 SK
DLAS File Name: HB787F161