

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** Lashrecse D. Aird

2. **Bill Number** HB 755

House of Origin:

 Introduced

 Substitute

 Engrossed

3. **Committee** Passed House and Senate

4. **Title** Real Property Taxes; Blighted and Derelict Properties

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would provide that, in qualifying localities, blighted properties and derelict structures constitute a separate class of property for local taxation of real property.

The bill would give qualifying localities the authority to levy a tax on blighted properties and derelict structures at a rate that exceeds the general real property tax rate by five and ten percent, respectively.

This bill would also give qualifying localities the authority to sell delinquent tax lands six months after incurring abatement costs for buildings that have been condemned, constitute a nuisance, are derelict buildings, or are declared to be blighted. Under current law, such sales can be conducted on the first anniversary of the date on which such taxes have become due.

This bill would become effective July 1, 2020.

6. **Budget amendment necessary:** No

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

8. **Fiscal implications:**

Administrative Costs

This bill could have an unknown impact on qualifying localities' administrative costs. It would have no impact on state administrative costs.

Revenue Impact

This bill could have an unknown impact on local revenues. It would have no impact on state revenues.

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

10. Technical amendment necessary: No

11. Other comments:

The *Constitution of Virginia* and the *Virginia Code* establish that taxable real estate is segregated for and made subject to local taxation only. All real estate, except that exempted by law, is subject to annual taxation. Certain types of real estate, however, are declared to be a separate class of property and constitute a classification for local taxation separate from other classifications of real property.

State law provides that when any taxes on any real estate in a locality are delinquent on December 31 following the second anniversary of the date on which such taxes have become due the property may be sold for the purpose of collecting all delinquent taxes on such property, or, in the case of real property upon which is situated (i) any structure that has been condemned by the local building official pursuant to applicable law or ordinance; (ii) any nuisance; (iii) any derelict building; or (iv) any property that has been declared to be blighted as the term is defined in state law, the first anniversary of the date on which such taxes have become due.

Proposal

This bill would provide that, in qualifying localities, blighted properties and derelict structures constitute a separate class of property for local taxation of real property. "Qualifying locality" would mean a locality with a score of 107 or higher on the fiscal stress index, as published by the Department of Housing and Community Development, in July 2019 using the revised data for fiscal year 2017.

The bill would give qualifying localities the authority to levy a tax on blighted properties and derelict structures at a rate that exceeds the general real property tax rate by five and ten percent, respectively.

This bill would also give the qualifying localities the authority to sell delinquent tax lands six months after the qualifying localities has incurred abatement costs for buildings that have been condemned, constitute a nuisance, are derelict buildings, or are declared to be blighted. Under current law, such sales can be conducted on the first anniversary of the date on which such taxes have become due.

This bill would become effective July 1, 2020.

Similar Legislation

Senate Bill 725 would reclassify improvements to real property located in the City of Richmond as a separate class of real property.

House Bill 1581 would clarify that it is the responsibility of the treasurer rather than the circuit court clerk to update the delinquent tax books regarding the correction or satisfaction of delinquent real property taxes encumbering properties sold for delinquent taxes and other debts.

cc: Secretary of Finance

Date: 3/6/2020 SK
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