

# DEPARTMENT OF TAXATION

## 2020 Fiscal Impact Statement

1. **Patron** Jennifer L. McClellan

2. **Bill Number** SB 727

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Real Estate Tax; Exemption for Property in  
Redevelopment or Conservation Areas

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would increase the maximum duration of a local real estate tax exemption for structures in redevelopment or conservation or rehabilitation areas or rehabilitation districts from 15 to 30 years.

Under current law, local governing bodies may provide for the partial exemption from taxation of new structures or other improvements to real estate located in a redevelopment or conservation area or rehabilitation district. Such exemption shall run with the land for a maximum of 15 years.

If enacted during the 2020 Regular Session of the General Assembly, 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:**

This bill would have an unknown negative impact on local revenues in localities offering tax exemption to property located in redevelopment or conservation areas.

This bill would have no impact on state revenues.

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

Localities offering tax exemption to property located in redevelopment or conservation areas.

10. **Technical amendment necessary:** No.

## 11. Other comments:

Under current law, local governing bodies are authorized to provide, by ordinance, for the partial exemption from taxation of new structures or other improvements to real estate located in redevelopment or conservation areas or rehabilitation districts. Local governing bodies are also authorized to provide an exemption from taxation of real estate on which any structure or other improvement no less than 15 years of age has undergone substantial rehabilitation, renovation or replacement for residential use. The partial exemption is a percentage of the increase or an amount equal to the increase in assessed value resulting from the construction of the new structure or other improvement to the real estate or 50% of the cost of such construction or improvement.

The exemption must run with the real estate for a period determined by the local governing body, which is not to exceed 15 years. The governing body is authorized to reduce the amount of the exemption in annual steps over the entire period or a portion thereof. The governing body is also authorized to establish (1) criteria for determining whether real estate qualifies for the partial exemption, 2) requirements for the square footage of new structures that qualify for the partial exemption and 3) other restrictions and conditions.

In addition, the governing body may assess a fee at a maximum rate of \$125 for residential properties or \$250 for commercial, industrial, and/or apartment properties of six units or more for processing each application requesting the partial exemption.

Where the construction of a new structure is achieved through demolition and replacement of an existing structure, the property does not qualify for the partial exemption if the structure demolished is a registered Virginia landmark or is determined by the Department of Historic Resources to contribute to the significance of a registered historic district.

### Proposal

This bill would increase the maximum duration of a local real estate tax exemption for structures in redevelopment or conservation or rehabilitation areas or rehabilitation districts from 15 to 30 years.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

### Similar Legislation

**House Bill 537** is identical to this bill.

**House Bill 1520** would authorize localities to, by ordinance, establish a deferral of real property tax to allow a taxpayer to elect to defer all or any portion of 95 percent of the amount by which the real property tax levied on a homestead has increased from the year of purchase to the current year.

cc : Secretary of Finance

