

DEPARTMENT OF TAXATION

2023 Fiscal Impact Statement

1. **Patron** Wendell S. Walker

3. **Committee** House Finance

4. **Title** Real Property Taxes; Rate of Increase
Procedure

2. **Bill Number** HB 1749

House of Origin:

Introduced

Substitute

Engrossed

Second House:

In Committee

Substitute

Enrolled

5. **Summary/Purpose:**

This bill would enhance the requirements that a local governing body must meet before increasing the local real property tax rate as follows:

- Increases by an amount less than three percent would only be permitted through a public hearing and a majority vote of the governing body;
- Increases by an amount of three percent or more, but less than five percent would only be permitted through a public hearing and a two-thirds majority (supermajority) vote of the governing body; and,
- Increases by an amount of five percent or more would only be permitted through holding a referendum within the locality.

The bill further provides that the governing body of a locality may not hold a public hearing for a proposed rate increase on the same day as the annual budget hearing.

Under current law, the governing body of a locality may generally increase its real property tax rate to a rate that would collect no more than 101 percent of the amount of real property taxes collected for the previous year. Increases above this rate may be imposed if the locality holds a public hearing.

If enacted during the regular session of the 2023 General Assembly, this bill would become effective July 1, 2023.

This is Executive Legislation.

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 local administrative costs related to the new procedures. This bill would have no impact on state administrative costs.

Revenue Impact

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

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No

11. Other comments:

Background

Under current law, the governing body of a locality may generally increase its real property tax rate to a rate that would collect no more than 101 percent of the amount of real property taxes collected for the previous year. Increases above this rate may be imposed if the locality holds a public hearing.

Legislation enacted during the 2022 General Assembly requires that when a county, city, or town that conducts its reassessment more than once every four years seeks to impose a real property tax rate that would produce more than 101 percent of the amount of real property taxes collected for the previous year, the notice for the public hearing would be required to be published on a different day and in a different notice from any notice published for the annual budget hearing.

Proposal

This bill would enhance the requirements that a local governing body must meet before increasing the local real property tax rate as follows:

- Increases by an amount less than three percent would only be permitted through a public hearing and a majority vote of the governing body;
- Increases by an amount of three percent or more, but less than five percent would only be permitted through a public hearing and a two-thirds majority (supermajority) vote of the governing body; and,
- Increases by an amount of five percent or more would only be permitted through holding a referendum within the locality.

The bill further provides that the governing body of a locality may not hold a public hearing for a proposed rate increase on the same day as the annual budget hearing.

In cases where a referendum is required, the clerk of the circuit court would be required to publish notice of the referendum in a newspaper of general circulation in the locality once a week for three consecutive weeks prior to the election. At a minimum, such notice would be required to follow the same requirements that currently apply to notices of public hearings for rate increases under current law. If the voters affirm the increased levy rate, the tax would be effective in the amount and terms stated in the resolution. If such resolution of the governing body states the projects or purposes for which the revenues collected from the tax would be used, then the question on the ballot for the referendum would be required to include language stating such projects or purposes for which the revenues collected from the tax are to be used.

If enacted during the regular session of the 2023 General Assembly, this bill would become effective July 1, 2023.

Similar Legislation

House Bill 1942 would require that for real estate assessment and taxation, when notice of a reassessment is mandated by *Va. Code*, if the new assessed value exceeds the previous assessed value, the notice must set out the lowered tax rate, as that term is defined in state law.

cc : Secretary of Finance

Date: 1/21/2023 SK
HB1749F161