

DEPARTMENT OF TAXATION

2023 Fiscal Impact Statement

1. **Patron** Sally L. Hudson

3. **Committee** House Finance

4. **Title** Real Property Tax; City of Charlottesville
Improvements

2. **Bill Number** HB 2112

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would reclassify improvements to real property located in the City of Charlottesville as a separate class of real property. As a result of this reclassification, Charlottesville would be authorized, after giving public notice and an opportunity for the public to be heard, to levy a tax on the improvements at a different rate than the tax imposed upon the land on which it is located, provided that the rate of tax on does not exceed the rate of tax on the land, and the rate of tax on improvements is not zero.

Under current law, in the cities of Fairfax, Poquoson, Richmond, and Roanoke, improvements to real property constitute a separate class of property for purposes of imposing the real property tax. Accordingly, these localities may levy a tax on the improvements at a different rate than the tax imposed upon the land on which it is located.

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

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 to administrative costs in the City of Charlottesville.

This bill would have no impact on state administrative costs.

Revenue Impact

This bill could have an unknown revenue impact to revenues in the City of Charlottesville.

The bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

City of Charlottesville

10. Technical amendment necessary: No

11. Other comments:

Background

Article X, § 1 of the *Constitution of Virginia* authorizes the General Assembly to define and classify taxable subjects. During the 2002 General Assembly session, the City of Fairfax was granted the authorization to reclassify improvements to real property located in the City of Fairfax as a separate class of real property, effective July 1, 2003. During the 2003 General Assembly session, the City of Roanoke was also granted this authorization, effective July 1, 2004. As a result of this reclassification, the governing bodies of these cities are authorized, after giving public notice and an opportunity for the public to be heard, to levy a tax on improvements to real estate at a different rate than that imposed on all other real property, provided that the rate of tax on improvements is not zero, and that the rate is equal to or lower than the rate of tax on the land on which the improvement is located.

In 2011, the General Assembly gave authority to the City of Poquoson to reclassify improvements to real property located in the City of Poquoson as a separate class of real property and to levy a tax on improvements at a different rate than the tax imposed upon the land on which it is located, provided that the rate of tax on the property is not zero. The City of Richmond was granted this authority by legislation enacted during the 2020 General Assembly.

Proposal

This bill would reclassify improvements to real property located in the City of Charlottesville as a separate class of real property. As a result of this reclassification, Charlottesville would be authorized, after giving public notice and an opportunity for the public to be heard, to levy a tax on the improvements at a different rate than the tax imposed upon the land on which it is located, provided that the rate of tax on does not exceed the rate of tax on the land and the rate of tax on improvements is not zero.

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

cc: Secretary of Finance

Date: 1/21/2023 VB
HB2112F161