

**DEPARTMENT OF TAXATION
2003 Fiscal Impact Statement**

1. **Patron** Parrish

2. **Bill Number** HB 1750

3. **Committee** Senate Finance

House of Origin:
 Introduced
 Substitute
 Engrossed

4. **Title** Local Property Tax: Process for
Localities to Grant Exemptions

Second House:
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would establish the process localities must follow when exempting from real or personal property taxes property that is owned by nonprofit organizations and used for religious, charitable, patriotic, benevolent, cultural or public park or playground purposes. This bill stems from a constitutional amendment that took effect on January 1, 2003, allowing local governing bodies to grant such exemptions by ordinance, subject to restrictions and conditions provided by general law enacted by the General Assembly.

The bill requires a local governing body to consider the same issues that it was required to consider when determining whether to pass a resolution supporting an exemption request being made to the General Assembly. This bill also would clarify that exemptions granted by the General Assembly prior to January 1, 2003 remain in effect as long as the ownership and use of the property does not change.

Prior to the effective date of the constitutional amendment, the Constitution allowed the General Assembly to exempt such property by classification or by designation by a three-fourths vote in each house.

The bill has an emergency effective date of January 1, 2003.

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

7. **Budget amendment necessary:** None.

8. Fiscal implications:

This bill has no effect on state revenues. The fiscal impact of this bill on localities is unknown, but should be minimal.

9. Specific agency or political subdivisions affected:

All counties, cities and towns

10. Technical amendment necessary: None.

11. Other comments:

Prior to January 1, 2003, the Constitution authorized the General Assembly to exempt from local taxation real and personal property owned by certain nonprofit organizations and used for religious, charitable, patriotic, benevolent, cultural or public park or playground purposes by classification or by designation by a three-fourths vote in each house.

The constitutional amendment that took effect on January 1, 2003 allows local governing bodies to grant by ordinance exemptions from local property taxation, subject to restrictions and conditions provided by general law enacted by the General Assembly. Although the constitutional amendment eliminated the General Assembly's authority to exempt such property, it allows the General Assembly to impose by general law restrictions and conditions on the localities' authority to exempt such property.

Current law provides that prior to adopting a resolution supporting or opposing an exemption request, the governing body must hold a public hearing and consider certain issues. This bill provides that prior to adopting an ordinance exempting property the local governing body must also hold a public hearing and consider the same issues:

- Whether the organization is exempt from taxation under Internal Revenue Code § 501 (c);
- Whether the organization holds a current annual alcoholic beverage license for serving alcoholic beverages on the property;
- Whether any director, officer, or employee of the organization is paid compensation in excess of a reasonable allowance;
- Whether any part of the net earnings of the organization inures to the benefit of any individual, and whether any significant portion of the service provided by such organization is generated by funds received from donations, contributions, or local, state or federal grants.
- Whether the organization provides services for the common good of the public;
- Whether a substantial part of the activities of the organization involves carrying on propaganda, or otherwise attempting to influence legislation and whether the organization participates in, or intervenes in, any political campaign on behalf of any candidate for public office; and
- The revenue impact to the locality and its taxpayers of exempting the property.

cc : Secretary of Finance

Date: 01/29/03

Document : S:\2003leg\WorkInProgress\OTPwork\House Bills\HB1750FE161.doc