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SENATE JOINT RESOLUTION NO. 393

Offered January 10, 2007

Prefiled January 10, 2007

Establishing a joint subcommittee to study the feasibility of multiple real property tax classifications and a homestead exemption program. Report.

Patrons—Norment; Delegate: Rapp

Referred to Committee on Rules

WHEREAS, the real property tax in Virginia, which is segregated for local taxation only by the Constitution of Virginia, is by far the largest source of local revenue for Virginia's counties and cities and comprises 48.5 percent, or almost half, of their total local-source revenue; and

WHEREAS, the local real property tax is by far the largest single local tax paid by most individual taxpayers; and

WHEREAS, generally under current law, the real property tax amount is determined by multiplying the real property assessed value by one uniform local real property tax rate, with no deductions whatsoever; and

WHEREAS, this is in sharp contrast to the tangible personal property tax in Virginia, which has in excess of 30 classes of tangible personal property, each of which may be taxed at a different rate from the general tangible personal property tax rate; and

WHEREAS, numerous other states provide for a homestead exemption for an owner-occupied primary residence of a taxpayer as a way to ease the real property tax burden on taxpayers, much as a standard or itemized deduction is provided under the income tax or a reduced rate of sales tax is imposed on food products for home consumption in an effort to reduce the regressivity of a tax and to make it more equitable; and

WHEREAS, the value of real property, and therefore its assessment for tax purposes, has been increasing dramatically over the past few years, and this has placed an additional burden on Virginia taxpayers; and

WHEREAS, rapidly escalating real property tax bills have imposed a particularly heavy burden on those who are "asset rich but cash poor," because ultimately taxes must be paid by income; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That a joint subcommittee be established to study the feasibility of multiple real property tax classifications and a homestead exemption program. In particular, the joint subcommittee shall study the creation of separate tax classes for residential, agricultural, and commercial real property. The joint subcommittee shall have a total membership of eight members that shall consist of three members of the Senate to be appointed by the Senate Committee on Rules and five members of the House of Delegates to be appointed by the Speaker of the House of Delegates in accordance with the principles of proportional representation contained in the Rules of the House of Delegates. The joint subcommittee shall elect a chairman and vice chairman from among its membership.

In conducting its study, the joint subcommittee shall examine the following: (i) the practices of other states that allow different tax rates for different classes of real property or provide a homestead exemption program for an owner-occupied principal residence; (ii) whether separate tax rate classes or a homestead exemption program would improve the real property tax and its equity; (iii) the advantages and disadvantages of these options; and (iv) whether Virginia should implement either or both of these programs.

Administrative staff support shall be provided by the Office of the Clerk of the Senate. Legal, research, policy analysis, and other services as requested by the joint subcommittee shall be provided by the Division of Legislative Services. Technical assistance shall be provided by the Department of Taxation. All agencies of the Commonwealth shall provide assistance to the joint subcommittee for this study, upon request.

The joint subcommittee shall be limited to four meetings for the 2007 interim and four meetings for the 2008 interim, and the direct costs of this study shall not exceed \$8,000 for each year without approval as set out in this resolution. Approval of unbudgeted nonmember-related expenses shall require the written authorization of the chairman of the joint subcommittee and the respective Clerk. If a companion joint resolution of the other chamber is agreed to, written authorization of both Clerks shall be required.

No recommendation of the joint subcommittee shall be adopted if a majority of the House members

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59 or a majority of the Senate members appointed to the joint subcommittee (i) vote against the
60 recommendation and (ii) vote for the recommendation to fail notwithstanding the majority vote of the
61 joint subcommittee.

62 The joint subcommittee shall complete its meetings for the first year by November 30, 2007, and for
63 the second year by November 30, 2008, and the chairman shall submit to the Division of Legislative
64 Automated Systems an executive summary of its findings and recommendations no later than the first
65 day of the next Regular Session of the General Assembly for each year. Each executive summary shall
66 state whether the joint subcommittee intends to submit to the General Assembly and the Governor a
67 report of its findings and recommendations for publication as a House or Senate document. The
68 executive summaries and reports shall be submitted as provided in the procedures of the Division of
69 Legislative Automated Systems for the processing of legislative documents, and reports and shall be
70 posted on the General Assembly's website.

71 Implementation of this resolution is subject to subsequent approval and certification by the Joint
72 Rules Committee. The Committee may approve or disapprove expenditures for this study, extend or
73 delay the period for the conduct of the study, or authorize additional meetings during the 2007 or 2008
74 interim.