

# DEPARTMENT OF TAXATION

## 2008 Fiscal Impact Statement

1. **Patron** John A. Cosgrove

3. **Committee** House Finance

4. **Title** Real Property Tax; Classification of Energy  
Efficient Buildings

2. **Bill Number** HB 239

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

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

This bill would change the performance guidelines and standards that energy efficient buildings must meet or exceed to be classified as a separate class of real property. An energy efficient building would be defined as any building that meets or exceeds performance guidelines or standards under the Leadership in Energy and Environmental Design (LEED) Green Building Rating System, EarthCraft House program, or Energy Star program. Certification of energy-efficiency would be determined by a certification issued under any one of the programs or a determination by an engineer designated by the locality that the building meets or exceeds the performance guidelines or standards under any one of the three programs.

Under current law, buildings that exceed the energy efficiency standards prescribed in the Virginia Uniform Statewide Building Code by at least 30 percent are deemed energy-efficient buildings, and the certification of energy efficiency is performed by an engineer or contractor that is not related to the taxpayer.

The effective date of this bill is not specified.

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

7. **Budget amendment necessary:** No.

### 8. **Fiscal implications:**

This bill would have no impact on state revenues. The immediate impact on local revenues is uncertain because it is not known whether more or less properties would qualify for the special class of real property under the new standards proposed by this bill. The revenue impact on each locality would be dependent upon the assessed value of property subject to the different rate of tax and the rate of tax imposed.

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

All localities

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

**11. Other comments:**

Real Property Tax Classifications

Article X, § 1 of the *Constitution of Virginia* authorizes the General Assembly to define and classify taxable subjects. Under current law, all real estate is considered to be one class of property subject to the same rate of tax. In the 2002 and 2003 General Assembly Sessions, however, separate classifications of real property were created composed of improvements to real property located in the Cities of Fairfax and Roanoke. These cities are authorized to tax improvements at a lower rate than that applicable to the land. The 2007 General Assembly session created separate classifications of real property for real property used for or zoned to permit commercial or industrial uses in the counties and cities embraced by the Northern Virginia Transportation Authority and the Hampton Roads Transportation Authority and for energy efficient buildings.

Under current law, buildings that exceed the energy efficiency standards prescribed in the Virginia Uniform Statewide Building Code by at least 30 percent are deemed energy-efficient buildings, and the certification of energy efficiency is performed by an engineer or contractor that is not related to the taxpayer. Localities are authorized to assess the Real Property Tax on energy efficient buildings at a lower tax rate than that imposed on the general class of real property. The land on which energy efficient buildings are located is not part of the separate classification.

Proposal

This bill would change the performance guidelines and standards that energy efficient buildings must meet or exceed to be classified as a separate class of real property. An energy efficient building would be defined as any building that meets or exceeds performance guidelines or standards under the Leadership in Energy and Environmental Design (LEED) Green Building Rating System, EarthCraft House program, or Energy Star program. Certification of energy-efficiency would be determined by a certification issued under any one of the programs or a determination by an engineer designated by the locality that the building meets or exceeds the performance guidelines or standards under any one of the three programs.

Similar Legislation

**Senate Bill 174** is identical to this bill.

**House Bill 162** would create an individual income tax credit for individuals who purchase and reside in a newly built house that has been constructed in accordance with and certified by the EarthCraft House Program and has received an EarthCraft House Certificate.

**House Bill 215** would create a separate real property tax classification for residential real property and would place certain limitations on the subsequent rates imposed on the

general class of real property if the locality imposes a lower tax rate on the separate class of residential property.

**House Bill 699** would create separate real property tax classifications for commercial and industrial real property, single family dwellings for residential purposes, and multifamily dwellings for residential purposes.

**House Bill 1123** would clarify that the real estate and tangible personal property of public service corporations is subject to local taxation at the general real estate rate of taxation and does not include any other rate localities are permitted to apply to certain energy-efficient buildings.

cc : Secretary of Finance

Date: 1/13/2008 AM

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