

DEPARTMENT OF TAXATION

2009 Fiscal Impact Statement

1. **Patron** Daniel W. Marshall, III

3. **Committee** House Finance

4. **Title** Retail Sales and Use Tax; Real Property Tax; Derelict Buildings; Recycled Goods

2. **Bill Number** HB 2027

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would provide a process through which the owners of certain buildings may apply to their locality to request that such buildings be declared derelict buildings. Owners of derelict buildings would be authorized to demolish such buildings and would be entitled to a Real Property Tax abatement for a period of fifteen years equal to the costs of the demolition. This bill would also provide an exemption from the Retail Sales and Use Tax for recycled building materials from derelict buildings that are purchased for future processing, manufacturing, refining or conversion into articles of tangible personal property for resale, provided the industrial materials either enter into production or become a component part of the finished product. The exemption would be available beginning July 1, 2010 and would expire on July 1, 2020.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** No Fiscal Impact. (See Line 8.)

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

8. **Fiscal implications:**

As the Retail Sales and Use Tax exemption provided by this bill overlaps current exemptions for tangible personal property purchased for resale and for industrial materials purchased for future processing, manufacturing, refining, or conversion into articles of tangible personal property for resale, this bill should have no impact on state revenues. To the extent that property owners qualify for the Real Property Tax abatement authorized by this bill, local revenues would be decreased.

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

All localities

10. Technical amendment necessary: Yes.

As the Retail Sales and Use Tax exemption provided by this bill overlaps the current exemption for tangible personal property purchased for resale and for industrial materials purchased for future processing, manufacturing, refining, or conversion into articles of tangible personal property for resale, it is not necessary. Accordingly, TAX suggests the following amendment:

Page 3, Line 144, at the beginning of the line

Strike: 18. Beginning July 1, 2010, and ending July 1, 2020, recycled building materials from derelict buildings as defined in § 15.2-907.1 for future processing, manufacturing, refining, or conversion into articles of tangible personal property for resale where such industrial materials either enter into production or become a component part of the finished product.

11. Other comments:

This bill would provide a process through which the owners of certain buildings may apply to their locality to request that such buildings be declared derelict buildings. A derelict building would be defined as a residential or nonresidential building or structure, whether or not construction has been completed, that might endanger the public's health, safety, or welfare and for a period of six months, it has been (i) vacant; (ii) boarded up; (iii) has not been lawfully connected to electric service from a utility provider; or has not been lawfully connected to water and sewer from a utility service provider.

Once a locality determines that a building is derelict, the property owner may obtain a building permit to demolish the derelict building. On the building permit application, the owner is required to declare the costs of demolition. Before commencing demolition, the property owner may request that the real estate assessor make an assessment of the property in its derelict condition.

The owner may then request that the Real Property Tax on the derelict property be abated for a period of not less than fifteen years by an amount equal to the costs of demolition. The abatement would be transferable with the property. If the locality has an existing tax abatement program for less than fifteen years, as of July 1, 2009, the bill would authorize the locality to provide for an additional tax abatement period of not less than five years.

This bill would also provide an exemption from the Retail Sales and Use Tax for recycled building materials from derelict buildings that are purchased for future processing, manufacturing, refining, or conversion into articles of tangible personal property for resale, provided the industrial materials either enter into production or become a component part of the finished product. The exemption would be available beginning July 1, 2010 and sunset on July 1, 2020. The Retail Sales and Use Tax exemption provided by this bill would overlap the current exemptions for tangible personal property purchased for resale and for industrial materials purchased for future processing, manufacturing, refining, or conversion into articles of tangible personal property for resale. Due to this overlap, the

Retail Sales and Use Tax exemption provided by this bill would be unnecessary. TAX has proposed a technical amendment to delete this redundant language.

The effective date of this bill is not specified.

cc : Secretary of Finance

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