

**DEPARTMENT OF TAXATION
2009 Fiscal Impact Statement**

1. **Patron** Timothy D. Hugo

3. **Committee** House Finance

4. **Title** Real Property Tax; Commercial Real Estate
in Northern Virginia

2. **Bill Number** HB 2480

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would require all revenue generated by the local option real property tax on certain commercial and industrial property located in special regional transportation tax districts in the counties and cities embraced by the Northern Virginia Transportation Authority and the Hampton Roads Transportation Authority to be used solely for i) new road construction, and ii) new public transit construction and directly related operating costs.

Under current law, the real property tax on certain commercial and industrial property may be imposed either 1) on all commercial and industrial property, or 2) on the commercial and industrial property located in special regional transportation tax districts created within the locality's boundaries. Revenue generated from the local real property tax on certain commercial and industrial property located in special regional transportation tax districts must be used exclusively for transportation purposes that benefit the special regional transportation tax district to which such revenue is attributable.

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 or local revenues. However, this bill would restrict the use of the revenues generated from the real property tax on certain commercial and industrial property located in special regional transportation tax districts to new road construction and to new public transit construction and directly related operating costs. Fairfax County has imposed the real property tax on all commercial and industrial property at a rate of \$0.11 per \$100 of assessed value and Arlington County has imposed the real property tax on all commercial and industrial property at a rate of \$0.125 per \$100 of assessed value. This bill would not require Fairfax County or Arlington County to change the use of the revenues generated by their current real property taxes on all commercial

and industrial property. None of the counties and cities embraced by the Hampton Roads Transportation Authority has imposed the real property tax on certain commercial and industrial property.

9. Specific agency or political subdivisions affected:

Cities of Alexandria, Chesapeake, Fairfax, Falls Church, Hampton, Manassas, Manassas Park, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg

Counties of Arlington, Fairfax, Isle of Wright, James City, Loudoun, Prince William and York

10. Technical amendment necessary: No.

11. Other comments:

Tax on Commercial and Industrial Real Property in Transportation Authorities

House Bill 3202 (*Acts of Assembly* 2007, Chapter 896) authorized the member localities of the Northern Virginia Transportation Authority and the Hampton Roads Transportation Authority to impose a real property tax on real property used for or zoned to permit commercial or industrial uses. The counties and cities embraced by the Northern Virginia Transportation Authority and the Hampton Roads Transportation Authority could also, by ordinance, create one or more special regional transportation tax districts and impose the tax on such property in those transportation tax districts.

The Northern Virginia Transportation Authority embraces the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park and the Counties of Arlington, Fairfax, Loudoun, and Prince William. The member localities of the Northern Virginia Transportation Authority are currently authorized to impose an additional real property tax of \$0.25 per \$100 of assessed value on real property used for or zoned to permit commercial or industrial uses.

The Hampton Roads Transportation Authority embraces the Cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg and the Counties of Isle of Wright, James City, and York. The member localities of the Hampton Roads Transportation Authority are currently authorized to impose an additional real property tax of \$0.10 per \$100 of assessed value on real property used for or zoned to permit commercial or industrial uses.

An owner of commercial and industrial real estate in Fairfax County, FFW Enterprises, filed suit in the Fairfax County Circuit Court on December 19, 2008, alleging that the real property tax on certain commercial and industrial property is unconstitutional.

Proposal

This bill would require all revenue generated by the local option real property tax on certain commercial and industrial property in the counties and cities embraced by the

Northern Virginia Transportation Authority and the Hampton Roads Transportation Authority to be used solely for i) new road construction, and ii) new public transit construction and directly related operating costs.

The effective date of this bill is not specified.

Similar Legislation

House Bill 1579 would require a portion of the growth in state taxes attributable to economic activity generated or facilitated by the Dulles International Airport and the Ronald Reagan National Airport appropriated to the Northern Virginia Transportation Authority. The bill would also require a portion of the growth in state taxes attributable to economic activity generated or facilitated by i) the ports of Hampton Roads, ii) the Inland Port at Front Royal, and iii) the Port of Richmond to be deposited into special transportation revenue funds. The bill would also abolish the Hampton Roads Transportation Authority and eliminate the taxes, fees, and charges that it was authorized to impose.

House Bill 1580 and **Senate Bill 995** would abolish the Hampton Roads Transportation Authority and eliminate the taxes, fees, and charges that it was authorized to impose. These bills would also repeal the authority of the counties and cities embraced by the Hampton Roads Transportation Authority to impose an additional real property tax on commercial and industrial property.

House Bill 1839 would decrease the rate of the real property tax on certain commercial and industrial property in the counties and cities embraced by the Northern Virginia Transportation Authority to \$0.125 per \$100 of assessed value. This bill would also allow the counties and cities embraced by the Northern Virginia Transportation Authority to impose an additional real property tax on certain commercial and industrial property at a rate of \$0.125 per \$100 of assessed value as long as all revenues are used for projects in the long range plans approved by the Northern Virginia Transportation Authority or the National Capital Region.

House Bill 2479 would decrease the rate of the real property tax on certain commercial and industrial property in the counties and cities embraced by the Northern Virginia Transportation Authority to \$0.125 per \$100 of assessed value.

cc : Secretary of Finance

Date: 1/18/2009 AM
DLAS File Name: HB2480F161.doc