

**DEPARTMENT OF TAXATION
2009 Fiscal Impact Statement**

1. Patron Frederick M. Quayle

2. Bill Number SB 1004

3. Committee House Finance

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

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

Second House:

☒ In Committee

☐ Substitute

☐ Enrolled

5. Summary/Purpose:

This bill would modify the requirements for architects, engineers and contractors to be qualified to certify that buildings are energy efficient buildings for local Real Property Tax purposes.

The effective date of this bill is not specified.

6. No Fiscal Impact.

7. Budget amendment necessary: No.

8. Fiscal implications:

As this bill only changes the qualification requirements for professionals authorized to determine whether a building qualifies to be certified as an energy efficient building, this bill would have no impact on state or local revenues.

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, energy efficient buildings constitute a separate class of property for purposes of local taxation. An energy efficient building is defined to include any building that exceeds the energy efficiency standards prescribed in the Virginia Uniform Statewide Building Code by at least 30 percent. The certification of energy efficiency for these buildings must be performed by a licensed engineer or a contractor who is not related to the taxpayer.

Energy efficient buildings also include any building that 1) meets or exceeds performance standards of the Green Globes Green Building Rating System of the Green Building Initiative, 2) meets or exceeds performance standards of the Leadership in Energy and Environmental Design (LEED) Green Building Rating System of the U.S. Green Building Council, (3) meets or exceeds performance standards or guidelines under the EarthCraft House program, or (4) is an Energy Star qualified home, the energy efficiency of which meets or exceeds performance guidelines for energy efficiency under the Energy Star program developed by the United States Environmental Protection Agency. The certification of energy efficiency for these buildings must be made by a certification issued under any one of the programs or a determination by a licensed architect or professional engineer designated by the locality that the building meets or exceeds the performance guidelines or standards under any one of the four programs.

Proposal

This bill would add architects to the list of professionals that are authorized to certify that a building qualifies as an energy efficient building for local Real Property Tax purposes on the basis that it exceeds the energy efficiency standards prescribed in the Virginia Uniform Statewide Building Code by at least 30 percent. The bill would also replace the requirement that engineers must be licensed engineers in order to make such certifications with the requirement that they be professional engineers. This bill would also require that contractors be licensed in order to make such certifications. This bill would also remove the requirement that architects be licensed in order to certify that a building is an energy efficient building on the basis that it 1) meets or exceeds the performance standards of the Green Globes Green Building Rating System, 2) meets or exceeds the performance standards of the Leadership in Energy and Environmental Design (LEED) Green Building Rating System, (3) meets or exceeds the performance standards or guidelines under the EarthCraft House program, or (4) is an Energy Star qualified home.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 2/6/2009 KP
DLAS File Name: SB1004FE161.doc