

DEPARTMENT OF TAXATION

2010 Fiscal Impact Statement

1. **Patron** Edward T. Scott

3. **Committee** House Finance

4. **Title** Real Property Tax; Improvements

2. **Bill Number** HB 1247

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would reclassify improvements to real property located in Culpeper County as a separate class of real property. As a result of this reclassification, Culpeper County would be authorized to impose a real property tax on improvements to real property at a rate of tax which does not exceed the rate applicable to all other real property.

Under current law, in the City of Fairfax and the City of Roanoke, improvements to real property constitute a separate class of property for purposes of imposing the real property tax. The governing bodies of these cities are authorized to levy a tax on the property at a different rate than that imposed on all other real property provided that the rate of tax on the property is not zero, and provided the rate is equal to or lower than the rate of tax on all other real property.

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 revenues in Culpeper County is uncertain because it may or may not exercise the authority to impose a lower rate of tax on improvements than imposed on all other real property. The revenue impact on Culpeper County would be dependent upon the assessed value of improvements subject to the lower rate of tax and the rate of tax imposed.

9. Specific agency or political subdivisions affected:

Culpeper County

10. Technical amendment necessary: No.

11. Other comments:

Article X, § 1 of the *Constitution of Virginia* authorizes the General Assembly to define and classify taxable subjects.

In the 2002 General Assembly session, the City of Fairfax was granted the authorization to reclassify improvements to real property located in the City of Fairfax as a separate class of real property, effective July 1, 2003. In the 2003 General Assembly session, the City of Roanoke was also granted this authorization, effective July 1, 2004. As a result of this reclassification, the governing bodies of these cities are authorized to levy a tax on improvements to real estate at a different rate than that imposed on all other real property provided that the rate of tax on improvements is not zero, and provided the rate is equal to or lower than the rate of tax on all other real property.

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.

This bill would reclassify improvements to real property located in Culpeper County as a separate class of real property. As a result of this reclassification, Culpeper County would be authorized to impose a real property tax on improvements to real property at a rate of tax which does not exceed the rate applicable to all other real property.

The effective date of this bill is not specified.

cc : Secretary of Finance

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