

# DEPARTMENT OF TAXATION

## 2010 Fiscal Impact Statement

1. **Patron** David J. Toscano

3. **Committee** House Finance

4. **Title** Real Property Tax; Roll-Back Taxes

2. **Bill Number** HB 437

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would allow localities to assess and collect roll-back taxes under a use value assessment program for a period not to exceed the ten most recent complete tax years. Simple interest would be included in the roll-back taxes calculation.

Under current law, in localities that have not adopted a sliding scale ordinance, localities may assess and collect roll-back taxes for each of the five most recent complete tax years. In localities that have adopted a sliding scale ordinance, the roll-back tax may be imposed for each of the tax years since the property became subject to land use taxation.

The effective date of this bill is not specified.

**6. No Fiscal Impact**

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

**8. Fiscal implications:**

This bill would have no impact on state revenues. To the extent that localities elect to assess roll back taxes for a ten-year period, this bill would result in local revenue gains for such localities, the amount of which is unknown.

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

All localities that have enacted a land use program ordinance

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

## 11. Other comments:

### Land Use Taxation

Land use valuation and taxation is intended to encourage conservation by providing tax relief to the owner of real estate devoted solely to agricultural, horticultural, forest or open-space use. Under land use taxation programs, the land dedicated to the special use is taxed at a lower rate than the rate applicable to other real property. In valuing land at its use value, the assessing officer considers only the value of the real estate based on its current use. The assessing officer does not consider the fair market value of the land at its most profitable use.

Owners of real property situated in a locality that has adopted a land-use plan and ordinance providing for use value assessment may apply to their local assessing officer for taxation of their real property on the basis of use value. Such owners must devote a minimum number of acres of real property to agricultural, horticultural, forest, or open-space use.

When the qualified use of real estate changes to a nonqualified use or is zoned for a more intensive use at the request of the owner, roll-back tax liability attaches to the land. Roll-back taxes are the difference between what real property taxes would have been had real property been assessed at fair market value compared to real property taxes based upon use value. Roll-back tax liability is computed by adding the amount of deferred taxes for the past five years and simple interest at the rate applicable to delinquent taxes. In localities that have adopted a sliding scale ordinance, the roll-back tax may be imposed for each of the tax years since the property became subject to land use taxation. Liability for roll-back taxes attaches and is paid to the treasurer only if the amount of tax due exceeds ten dollars.

### Proposal

This bill would allow localities to assess and collect roll-back taxes under a use value assessment program for a period not to exceed the ten most recent complete tax years. Simple interest would be included in the roll-back taxes calculation.

The effective date of this bill is not specified.

### Similar Legislation

**House Bill 777** would require any locality that has adopted land use value assessments and taxation on three land use classifications to adopt land use value assessments and taxation for all four classifications of land.

**Senate Bill 81** would allow certain noncontiguous parcels of land that currently are not part of an individual forestal, agricultural, or forestal and agricultural district of local significance to be deemed included in that district if the nearest boundary of the noncontiguous parcel is within one-quarter of a mile of the core contiguous properties that constitute the district and was previously included in an individual forestal, agricultural, or forestal and agricultural district of local significance.

cc : Secretary of Finance

Date: 1/24/2010 KP

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