

DEPARTMENT OF TAXATION

2011 Fiscal Impact Statement

1. **Patron** Timothy D. Hugo

2. **Bill Number** HB 1899

House of Origin:

 Introduced

 Substitute

 Engrossed

3. **Committee** Passed by House and Senate

4. **Title** Real Property Tax; Partial Exemption for
Structures in Redevelopment or
Conservation Areas or Rehabilitation
Districts

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would require the local governing body of a locality in which partial exemptions for structures in redevelopment or conservation areas or rehabilitation districts are available to provide written notification to the property owner of the amount of the assessment of the property that will be exempt from real property taxation and the period of such exemption. The bill would also clarify that the exempt amount is a covenant that runs with the land for the period of the exemption, and would prohibit local governing bodies from reducing that amount during the period of the exemption unless the property owner has received written notification from the local governing body or designee that the exempt amount may be decreased during the period of the exemption.

The provisions of this bill would also apply to real property in any locality in which the governing body has provided for the partial exemption from taxation of real estate on which any structure or other improvement no less than 15 years of age has undergone substantial rehabilitation, renovation, or replacement for residential use.

Under current law, local governing bodies may provide for the partial exemption from taxation of new structures or other improvements to real estate located in a redevelopment or conservation area or rehabilitation district. They may also partially exempt from tax real estate on which any structure or other improvement no less than 15 years of age has undergone substantial rehabilitation, renovation or replacement for residential use.

This bill would be effective for assessments for tax years beginning on or after January 1, 2011. The bill contains an emergency clause and would be in effect from its passage.

6. **Budget amendment necessary:** No.

7. **No Fiscal Impact.**

8. **Fiscal implications:**

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:

Current Law

Under current law, local governing bodies are authorized to provide, by ordinance, for the partial exemption from taxation of new structures or other improvements to real estate located in redevelopment or conservation areas or rehabilitation districts. Local governing bodies are also authorized to provide an exemption from taxation of real estate on which any structure or other improvement no less than 15 years of age has undergone substantial rehabilitation, renovation or replacement for residential use. The partial exemption is a percentage of the increase or an amount equal to the increase in assessed value resulting from the construction of the new structure or other improvement to the real estate or 50% of the cost of such construction or improvement.

The exemption must run with the real estate for a period determined by the local governing body, which is not to exceed 15 years. The governing body is authorized to reduce the amount of the exemption in annual steps over the entire period or a portion thereof.

The governing body is also authorized to establish (1) criteria for determining whether real estate qualifies for the partial exemption, 2) requirements for the square footage of new structures that qualify for the partial exemption and 3) other restrictions and conditions.

In addition, the governing body may assess a fee at a maximum rate of \$125 for residential properties or \$250 for commercial, industrial, and/or apartment properties of six units or more for processing each application requesting the partial exemption.

Where the construction of a new structure is achieved through demolition and replacement of an existing structure, the property does not qualify for the partial exemption if the structure demolished is a registered Virginia landmark or is determined by the Department of Historic Resources to contribute to the significance of a registered historic district.

Proposal

This bill would require the local governing body of a locality in which partial exemptions for structures in redevelopment or conservation areas or rehabilitation districts are available to provide written notification to the property owner of the amount of the assessment of the property that will be exempt from real property taxation and the period of such exemption. The bill would also clarify that the exempt amount is a covenant that runs with the land for the period of the exemption, and would prohibit local governing bodies from reducing that amount during the period of the exemption, unless the property owner has received written notice from the local governing body or designee at the initial time of

approval of the exemption that the exempt amount may be decreased during the period of the exemption. The bill would prohibit such partial exemption from totally exempting the value of the structure.

The provisions of this bill would also apply to real property in any locality in which the governing body has provided for the partial exemption from taxation of real estate on which any structure or other improvement no less than 15 years of age has undergone substantial rehabilitation, renovation, or replacement for residential use.

The provisions of this bill would become effective for assessments for tax years beginning on or after January 1, 2011. Property owners would not be entitled to a refund for any taxes paid for tax years beginning prior to January 1, 2011. Thus, for tax years beginning prior to January 1, 2011, if a governing body or designee reduced the amount of the partial exemption to an amount less than the original amount of the partial exemption during the period of exemption, and did not provide written notice to the property owner that the exempt amount may be decreased during the period of the exemption, the local governing body or designee would be required to reinstate the original exempt amount for tax years beginning on or after January 1, 2011, for the balance of the exemption of the exemption.

This bill contains an emergency clause and would be in effect from its passage.

Similar Bills

Senate Bill 785 is identical to this bill.

Senate Bill 784 would clarify that a real estate assessor may require an owner of real property with four or fewer residential units that is operated in whole or in part as affordable rental housing to furnish to the assessor a statement of the income and expenses attributable to the property when the owner applies to the locality to have the real property assessed as affordable housing.

House Bill 1470 would authorize circuit courts for any locality to appoint up to two alternate board members to serve on local boards of equalization if a member of the board is absent or abstains.

House Bill 1526 would clarify that statements of income and expense may be used in a complaint before a Board of Equalization, provided the statements are submitted to the Board of Equalization no later than the appeal filing deadline of the Board.

House Bill 1532 would lower the threshold percentage of taxes and liens on property from 50 percent to 35 percent of the assessed value of the parcel for real estate in the Cities of Norfolk, Richmond, Hopewell, Newport News, and Petersburg for a special commissioner to convey the property to the locality in lieu of a public sale at auction, and would lower the threshold percentage if only taxes from 25 percent to 15 percent in those cities.

cc : Secretary of Finance

