

**DEPARTMENT OF TAXATION  
2010 Fiscal Impact Statement**

1. **Patron** C. Todd Gilbert

2. **Bill Number** HB 777

3. **Committee** House Finance

**House of Origin:**

**Introduced**

**Substitute**

**Engrossed**

4. **Title** Real Property Tax; Land Use Classifications

**Second House:**

**In Committee**

**Substitute**

**Enrolled**

**5. Summary/Purpose:**

This bill would require any locality that has adopted land use taxation on three of the four land use classifications to adopt use value assessment and taxation on all four classifications.

Current law authorizes localities to establish special classifications of real estate, under which the land dedicated to the special use is taxed at a lower rate than the rate applicable to other real property. The special classifications of real estate currently include: 1) real estate devoted to agricultural use; 2) real estate devoted to horticultural use; 3) real estate devoted to forest use; and 4) real estate devoted to open-space use. 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. Currently, a locality may elect to include any or all of the four classifications of property in the local ordinance.

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. Currently, 21 localities report adopting three special classifications. These localities would need to adopt an additional special classification, which would result in a decrease in local revenue in each of these localities, to the extent that the locality contains land that qualifies for the fourth classification. The impacted localities include the cities of Danville and Franklin; the Counties of Accomack, Amelia, Bedford, Carroll, Franklin, Gloucester, Goochland, Isle of Wight, Montgomery, Nelson, Orange, Rappahannock, Russell, Stafford, Tazewell, and Washington; and the towns of Ashland, Jonesville, Lebanon, and Leesburg.

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

Cities of: Danville and Franklin

Counties of: Accomack, Amelia, Bedford, Carroll, Franklin, Gloucester, Goochland, Isle of Wight, Montgomery, Nelson, Orange, Rappahannock, Russell, Stafford, Tazewell, and Washington

Towns of: Ashland, Jonesville, Lebanon, and Leesburg

**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.

Real estate devoted to agricultural use includes either land devoted to the bona fide production for sale of plants and animals useful to man or land that meets the requirements for payments or other compensation pursuant to a soil conservation program. Real estate devoted to horticultural use is either land devoted to the bona fide production for sale of fruits, vegetables and nursery and floral products, or land that meets the requirements for payments from a soil conservation program. Real estate devoted to forestal use is land devoted to tree growth in such quantity and so spaced as to constitute a forest area. Finally, real estate devoted to open space use is real property used to preserve park and recreational areas, conserve land or other natural resources, or preserve floodways and land of historic or scenic value. Under current law, there is no requirement that the locality contain land that would qualify for a specific classification before that classification can be adopted in the locality's land-use plan.

Proposal

This bill would require all localities that have adopted land use taxation on three land use classifications to adopt use value assessment and taxation on all four classifications. The special classifications of real estate currently include: 1) real estate devoted to agricultural use; 2) real estate devoted to horticultural use; 3) real estate devoted to forest use; and 4) real estate devoted to open-space use. Even if localities with three land use

classifications have no land that would meet the fourth classification's requirements, the bill does not provide an exception from the mandate that these localities adopt the fourth classification.

The effective date of this bill is not specified.

#### Similar Legislation

**House Bill 437** 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.

**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

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