

DEPARTMENT OF TAXATION

2013 Fiscal Impact Statement

1. **Patron** J. Randall Minchew

2. **Bill Number** HB 1586

3. **Committee** House Counties, Cities and Towns

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Real Property Tax; Rebates for Property in
Arts and Cultural Districts

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would allow localities that have established arts and cultural districts to provide for a reduction or rebate of real property taxes as incentives in these districts.

Localities are authorized to establish arts and cultural districts to increase awareness and support for the arts and culture in the locality, and may grant tax incentives and provide certain regulatory flexibility in these districts. Under current law, the tax incentives may reduce: i) permit fees; (ii) user fees; and (iii) any type of gross receipts tax.

The effective date of this bill is not specified.

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

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

8. **Fiscal implications:**

This bill would have no impact on state revenues. To the extent that localities that have established arts and cultural districts offer a reduction or rebate of real property taxes as an incentive, the bill would result in a decrease in local revenue, the magnitude of which is unknown.

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

All localities with arts and cultural districts

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

11. **Other comments:**

Localities are authorized to establish arts and cultural districts to increase awareness and support for the arts and culture in the locality, and may grant tax incentives that reduce: i) permit fees; ii) user fees; and iii) any type of gross receipts tax. Localities may also

provide for regulatory flexibility incentives in the districts, in the form of: i) special zoning for the district; ii) permit process reform; iii) exemption from ordinances; and iv) other incentives. The tax and regulatory flexibility incentives may be offered for a maximum period of ten years. The extent and duration of the incentive proposals must conform to the requirements of the Virginia and United States Constitutions.

Virginia Constitutional Limitations

Under the *Constitution of Virginia*, all property must be taxed unless an exemption is authorized in the *Constitution*. The General Assembly has the authority under the *Constitution* to define and classify taxable subjects and to provide for differences in the rates of taxation imposed on different classes of property. The *Constitution* also requires that all taxes be uniform upon the same class of subjects within the territorial limits of the authority levying the tax.

Proposal

This bill would allow localities that have established arts and cultural districts to provide for a reduction or rebate of real property taxes as incentives in these districts. As with other tax incentives for arts and cultural districts available under current law, the extent and duration of the reduction or rebate of real property taxes would need to conform to the requirements of the Constitutions of Virginia and the United States.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/12/2013 KP
DLAS File Name: HB1586F186