

DEPARTMENT OF TAXATION

2013 Fiscal Impact Statement

1. **Patron** J. Randall Minchew

2. **Bill Number** HB 1697

3. **Committee** Passed House and Senate

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

4. **Title** Real Property Tax; Grants Localities
Discretion to Impose Roll-Back Taxes

Second House:

☐ In Committee

☐ Substitute

☒ Enrolled

5. **Summary/Purpose:**

This bill would give localities the discretion to elect, by ordinance, whether to impose roll-back taxes and whether to allow a change in zoning to affect a property's eligibility for a land use taxation program when the property's zoning classification changes to a more intensive use at the request of the owner or his agent.

Under current law, when the qualified use of real estate changes to a nonqualified use or it is zoned for a more intensive use at the request of the owner, a locality is required to impose a roll-back tax on the land. Roll-back taxes are the difference between what the real property taxes would have been had the property been assessed at fair market value and the real property taxes levied based upon use value.

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 currently required to impose the roll-back tax on applicable real property elect not to impose the tax on such property, or to continue to treat the property as eligible under the land use program, the locality would experience a decrease in local revenues, the magnitude of which is unknown.

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

All localities

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 its use value, which is typically lower than its full fair market value. 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. Rollback taxes are the difference between what real the property taxes would have been had the property been assessed at fair market value and the real property taxes levied based upon use value. Liability for roll-back attaches at the time the change in use or zoning occurs. 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 give localities the discretion to elect, by ordinance, whether to impose roll-back taxes and whether to allow a change in zoning to affect a property's eligibility for a land use taxation program when the property's zoning classification changes to a more intensive use at the request of the owner or his agent. Under the terms of the bill, localities could elect not to impose roll-back taxes on such real estate at the time there is a change in zoning, and to continue to consider the property eligible for land use taxation until the real property's use changes to a nonqualifying use.

The effective date of this bill is not specified.

Similar Legislation

Senate Bill 799 would: 1) add Goochland County to the list of counties authorized to exclude land lying in planned development, industrial, or commercial zoning districts established prior to January 1, 1981 from their land use assessment programs; and 2)

authorize each of the counties given this authority to exclude land lying in service districts created after July 1, 2013 from its land use taxation program.

cc : Secretary of Finance

Date: 2/19/2013 KP

DLAS File Name: HB1697ERF161