

DEPARTMENT OF TAXATION

2013 Fiscal Impact Statement

1. **Patron** Mark L. Keam
3. **Committee** House Counties, Cities and Towns
4. **Title** Real Property Tax; Fairfax County Service Districts

2. **Bill Number** HB 2131
House of Origin:
 X **Introduced**
 Substitute
 Engrossed

Second House:
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would authorize Fairfax County to expand the annual tax imposed on real property located in service districts within the county to apply to real property used for multiple purposes. The bill would also permit Fairfax County's board of supervisors to exclude from the class of properties subject to the annual tax any zoning classifications or uses of property within the service district that are constitutionally permissible. Additionally, the bill would allow Fairfax County to deem as property zoned or used for commercial use, real property that is zoned to permit multi-unit residential use, but not yet used for that purpose, as well as multi-unit residential real property that is primarily leased or rented to residential tenants or other occupants, provided Fairfax County imposes the tax on property zoned or used for commercial use. Finally, the bill would give the board of supervisors the authority to require certain real property owners to make a lump sum payment, prior to the zoning classification or use change, in an amount equal to the present value of future district taxes estimated by the county that will be lost as a result of the change if there is a change in zoning classification or use that would exempt property previously subject to the special use tax

Under current law, Virginia localities may create service districts within the locality to provide additional, more complete, or more timely services of government than are desired in the locality or localities as a whole. Upon passage of an ordinance creating a service district, localities may levy and collect an annual tax on taxable real estate zoned for residential, commercial, industrial or other uses, or any combination of such use classification, within the boundaries of the service district.

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 Fairfax County exercises the authority granted in this bill to expand the reach of its special districts tax to apply to property with multiple uses, or to require a lump sum payment of estimated taxes that will be lost if a change in zoning classification or use occurs that exempts otherwise taxable property, the bill would result in an unknown revenue gain in the Fairfax County service districts.

9. Specific agency or political subdivisions affected:

Fairfax County; Service districts in Fairfax County

10. Technical amendment necessary: No.

11. Other comments:

Background

Virginia law authorizes any locality to create service districts within the locality, by ordinance. The purpose of service districts is to provide additional, more complete or more timely services of government than are desired in the locality or localities as a whole. Localities seeking to create a service district must conduct a public hearing prior to the district's creation. The ordinance establishing the service district must include the name and boundaries of the proposed district; specify any areas within the district that are to be excluded; describe the purposes of the district and the facilities and services proposed within the district; describe a proposed plan for providing such facilities and services within the district; and describe the benefits which can be expected from the provision of the proposed facilities and services within the district.

Annual Tax

Upon passage of an ordinance creating a service district, localities are statutorily granted several powers with respect to these districts. Among these powers, localities may levy and collect an annual tax on any property in the service district that is subject to local taxation to pay for the expenses and charges for providing certain governmental services to the locality, such as water supply, garbage removal and disposal, and transportation. The tax may be levied on taxable real estate zoned for residential, commercial, industrial, or other uses, or any combination of such use classification, within the boundaries of the service district. The annual tax may not be levied to pay for schools, police, or general government services. With the property owner's written consent, localities may elect to levy the tax on the full assessed value of the property within the service district, despite any special use value assessment of property within the district. Revenue from the tax must be allocated to the district in which the funds were raised.

Proposal

This bill would authorize Fairfax County to expand the annual tax imposed on real property located in service districts within the county to include real property used for multiple purposes. The bill would also permit Fairfax County's board of supervisors to exclude from the class of properties subject to the annual tax any zoning classifications or uses of property within the service district that are constitutionally permissible.

Additionally, the bill would allow Fairfax County to deem as property zoned or used for commercial use, real property that is zoned to permit multi-unit residential use, but not yet used for that purpose, as well as multi-unit residential real property that is primarily leased or rented to residential tenants or other occupants, provided Fairfax County imposes the tax on property zoned or used for commercial use. Finally, the bill would give the board of supervisors the authority to require certain real property owners to make a lump sum payment, prior to the zoning classification or use change, in an amount equal to the present value of future district taxes estimated by the county that will be lost as a result of the change if there is a change in zoning classification or use that would exempt property previously subject to the special use tax

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/19/2013 KP
DLAS File Name: HB2131F161