

DEPARTMENT OF TAXATION

2013 Fiscal Impact Statement

1. **Patron** Stephen D. Newman

2. **Bill Number** SB 1041

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

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Real Property Tax; City of Bedford

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would require Bedford County to assess real property with a January 1, 2013 tax day that is currently located in the City of Bedford but will be located in the Town of Bedford effective July 1, 2013 due to the City's reversion to town status. Based on this assessment, the property would be subject to the county's real property tax for a short tax year, beginning July 1, 2013 and ending December 31, 2013, reduced by one-half to account for the short tax year. The bill would also require that any town real property taxes for the town's tax year, beginning July 1, 2013 and ending June 30, 2014, be based on the assessment made by Bedford County as of January 1, 2013.

Currently, the City of Bedford and the County of Bedford are separate taxing jurisdictions.

This bill contains an emergency clause and is in effect from the date of its passage.

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. This bill would increase real property tax revenues in the County of Bedford to the extent that real property currently located in the City of Bedford will be subject to the County real property tax after the reversion.

9. Specific agency or political subdivisions affected:

County of Bedford, Town of Bedford

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

11. Other comments:

Current Law

Reversion from City to Town

Virginia law authorizes cities with a population of less than 50,000 people to petition the circuit court for a change from city status to town status. The city must follow the process set forth in the *Code of Virginia* for obtaining the change in status, including notifying the Commission on Local Government and petitioning the circuit court, which makes the final determination as to whether the change in status petition will be granted, based upon a number of factors, including how the reversion will affect the adjoining county, whether the reversion will result in an equitable sharing of the resources between the two localities, and whether the reversion is in the best interest of the city, county and the Commonwealth.

Real Property Taxes

Under current law, all real estate is subject to such annual taxation as prescribed by law, unless there is an exemption under law. Real estate in Virginia is assessed at 100 percent of its fair market value. Real property tax bills are based on the real property assessment and the real property tax rate, which is set annually by the local governing board.

Virginia law requires every city to have a general reassessment of real estate every two years. However, the law authorizes cities with a total population of 30,000 or less to elect, by a majority vote of its council, to conduct its general reassessments at four-year intervals.

In Virginia, counties are required to have a general reassessment of real estate every four years. However, any county with a total population of 50,000 or less, as well as Augusta County, may elect, by majority vote of its board of supervisors, to conduct its general reassessments at either five-year or six-year intervals.

Virginia towns may conduct general reassessments every four years.

Counties may not impose real property taxes on residents of independent cities, but they may impose such taxes on the residents of towns within their jurisdiction. Towns may also impose real property taxes on their residents. Where real property is located in a county and within the corporate limits of a town, both localities have the authority to collect real property taxes on such property.

County of Bedford

Currently, the real property tax is levied at \$0.50 per \$100 of assessed value in Bedford County. The tax is due twice per year, on June 5 and December 5. Reassessments are conducted every four years.

City of Bedford

As of January 1, 2012, the real property tax was levied at \$0.86 per \$100 of assessed value in the City of Bedford. Taxes are levied on a calendar year basis and are due four times per year on September 30, December 31, March 31, and June 5. Reassessments are conducted every four years. The last reassessment was conducted in 2010, and the effective date of the values was applied beginning July 1, 2010.

Proposal

This bill would require Bedford County to assess real property with a January 1, 2013 tax day that is currently located in the City of Bedford but will be located in the Town of Bedford effective July 1, 2013 due to the City's reversion to town status. Based on this assessment, the property would be subject to the county's real property tax for a short tax year, beginning July 1, 2013 and ending December 31, 2013, reduced by one-half to account for the short tax year. The bill would also require that any town real property taxes for the town's tax year, beginning July 1, 2013 and ending June 30, 2014, be based on the assessment made by Bedford County as of January 1, 2013.

Assessment

Under the terms of the bill, Bedford County would need to base this assessment on Bedford City's most current real property assessments. Bedford County would be authorized to use these assessments to levy the county real property taxes on property located in the Town of Bedford until Bedford County its next reassessment. Any real property taxes levied by the Town of Bedford for tax year beginning July 1, 2013 through June 30, 2014 would be based on the real property assessments made by the Bedford County Commissioner as of January 1, 2013.

Rate

The Bedford County taxes levied on property located in the Town of Bedford would be levied according to the real property tax rate in effect in Bedford County as of January 1, 2013, but the amount of tax due would be reduced by one-half to reflect the short tax year.

This bill contains an emergency clause and is in effect from the date of its passage.

Similar Legislation

House Bill 1756 is similar to this bill, but would require that real property taxes be levied on the use value assessments made by the Bedford County Commissioner for any qualifying property if the City or Town of Bedford has adopted a use value assessment ordinance by July 15, 2013, and would also require the City of Bedford to impose tangible personal property tax for the tax year beginning January 1, 2013, based on the Commissioner of the Revenue in the City of Bedford's January 1, 2013 assessment.

cc : Secretary of Finance

