

DEPARTMENT OF TAXATION

2013 Fiscal Impact Statement

1. **Patron** Phillip P. Puckett

3. **Committee** Senate Finance

4. **Title** Local Property Tax; Exempts Certain
Property by Designation

2. **Bill Number** SB 817

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would add property owned by Historic Pocahontas, Incorporated, of Pocahontas, Virginia to the list of organizations, corporations, and associations that are exempt from real and personal property tax by designation. The exemption would extend as long as the corporation continues to be organized and operated not for profit.

Under the *Constitution of Virginia*, local governing bodies are authorized to grant exemptions from local property taxation by ordinance, subject to any restrictions and conditions provided by the General Assembly.

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.

As this bill would exempt property owned by Historic Pocahontas, Incorporated from real and personal property tax, the bill would decrease local revenues by an unknown amount.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No.

11. Other comments:

Prior to January 1, 2003, the *Constitution of Virginia* authorized the General Assembly to exempt from local taxation real and tangible personal property owned by certain nonprofit organizations and used for religious, charitable, patriotic, benevolent, cultural, or public park or playground purposes by classification or by designation by a $\frac{3}{4}$ vote in each house. Property is exempt by classification if it fits within a class of property which the General Assembly has established as exempt. Property is exempt by designation when the law designates the property of a named organization as exempt.

On January 1, 2003, a constitutional amendment took effect that authorized local governing bodies to grant exemptions from local property taxation by ordinance, within the parameters established by the General Assembly. The property tax exemptions established by the General Assembly and existing prior to January 1, 2003 remain in effect.

The General Assembly has set forth a process localities must follow in enacting local property tax exemptions. Ordinances exempting property by designation require a public hearing with notice of such hearing. Before adopting an ordinance, the local governing body must consider the following questions:

- Whether the organization is exempt from taxation pursuant to § 501(c) of the Internal Revenue Code;
- Whether a current annual alcoholic beverage license for serving alcoholic beverages has been issued for use on the property;
- Whether any director, officer, or employee of the organization is paid compensation in excess of a reasonable allowance for salaries or other compensation for personal services rendered;
- Whether any part of the net earnings of the organization inures to the benefit of any individual, and whether any significant portion of the service provided by the organization is generated by funds received from donations, contributions, or local state or federal grants;
- Whether the organization provides services for the common good of the public;
- Whether a substantial part of the activities of the organization involves carrying on propaganda, or otherwise attempting to influence legislation and whether the organization participates in, or intervenes in, any political campaign on behalf of any candidate for public office;
- The revenue impact to the locality and its taxpayers of exempting the property; and
- Any other pertinent criteria, facts or circumstances.

Historic Pocahontas, Incorporated, of Pocahontas, Virginia

Historic Pocahontas, Incorporated is organized as a nonprofit entity whose purpose is to preserve, protect, restore and rebuild the historic resources of the Pocahontas Historic District, including historical landmarks such as the Pocahontas Cemetery and the Pocahontas Exhibition Mines.

Proposal

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The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/12/2013 KP
DLAS File Name: SB817F161