

# DEPARTMENT OF TAXATION

## 2016 Fiscal Impact Statement

1. **Patron** Delores L. McQuinn

3. **Committee** House Finance

4. **Title** Real Property Tax; Partial Exemption for  
Structures in Redevelopment or  
Conservation Areas or Rehabilitation  
Districts

2. **Bill Number** HB 777

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would authorize localities to allow the partial exemption from taxation of new structures or other improvements to real estate located in a redevelopment or conservation area or rehabilitation district for an additional period of up to 15 years beyond the initial exemption period.

Under current law, local governing bodies may provide for the partial exemption from taxation of new structures or other improvements to real estate located in a redevelopment or conservation area or rehabilitation district for a period not to exceed 15 years.

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:**

To the extent that a locality elects to allow an additional partial exemption period for structures in redevelopment or conservation area or rehabilitation district, this bill would have an unknown negative impact on local revenues. This bill would have no impact on state revenues.

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

All localities

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

## 11. Other comments:

### Current Law

Under current law, local governing bodies are authorized to provide, by ordinance, for the partial exemption from taxation of new structures or other improvements to real estate located in redevelopment or conservation areas or rehabilitation districts. The partial exemption is an amount equal to the increase in assessed value or a percentage of the increase resulting from the construction of the new structure or other improvement to the real estate or 50 percent of the cost of such construction or improvement.

The exemption must run with the real estate for a period determined by the local governing body, which is not to exceed 15 years. The governing body is authorized to reduce the amount of the exemption in annual steps over the entire period or a portion of the period, as provided by ordinance. The exempt amount is a covenant that runs with the land for the period of the exemption, and may not be reduced during the period of the exemption unless the property owner has received written notice from the local governing body or designee at the initial time of approval of the exemption that the exempt amount may be decreased during the period of the exemption.

The governing body is also authorized to establish (1) criteria for determining whether real estate qualifies for the partial exemption, 2) requirements for the square footage of new structures that qualify for the partial exemption and 3) other restrictions and conditions.

In addition, the governing body may assess a fee at a maximum rate of \$125 for residential properties or \$250 for commercial, industrial, and/or apartment properties of six units or more for processing each application requesting the partial exemption.

Where the construction of a new structure is achieved through demolition and replacement of an existing structure, the property does not qualify for the partial exemption if the structure demolished is a registered Virginia landmark or is determined by the Department of Historic Resources to contribute to the significance of a registered historic district.

### Proposal

This bill would authorize localities to allow the partial exemption from taxation of new structures or other improvements to real estate located in a redevelopment or conservation area or rehabilitation district for an additional period of up to 15 years beyond the initial exemption period.

Under current law, local governing bodies may provide for the partial exemption from taxation of new structures or other improvements to real estate located in a redevelopment or conservation area or rehabilitation district for a period not to exceed 15 years.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/22/2016 AM

DLAS File Name: HB777F161