

DEPARTMENT OF TAXATION

2017 Fiscal Impact Statement

1. **Patron** R. Lee Ware, Jr.

2. **Bill Number** HB 1455

3. **Committee** Senate Finance

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Real Property Tax; Partial Exemption for
Certain Commercial and Industrial Structures

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would authorize localities to partially exempt from real estate taxation any structure or other improvement older than 15 years that has undergone substantial rehabilitation, renovation or replacement for commercial or industrial use that is located in a local technology zone.

Under current law, localities are authorized to partially exempt from real estate taxation structures that have undergone substantial rehabilitation, renovation, or replacement for commercial or industrial use. The structures being exempted must be no less than 20 years old or no less than 15 years old if the structure is located within an area designated as an enterprise zone by the Commonwealth.

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:**

Localities that exercise the authority granted by this bill may experience an unknown revenue loss to the extent that additional properties qualify for partial exemption. However, this loss may be offset to the extent that the assessed values of properties are increased by the improvements required to qualify for partial exemption.

This bill will have no impact on state revenues.

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

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

11. Other comments:

Technology Zones

Under current law, localities are authorized to designate and create local technology zones. Localities may grant these zones tax incentives for up to 10 years and provide them with certain regulatory flexibility.

The permitted tax incentives may include, but not be limited to: (1) reduction of permit fees; (2) reduction of user fees; and (3) reduction of any type of gross receipts tax.

The permitted regulatory flexibility may include, but not be limited to: (1) special zoning for the district; (2) permit process reform; (3) exemption from ordinances; and (4) any other incentive adopted by ordinance, which shall be binding upon the locality for up to 10 years.

The designation of technology zones and the preferential tax and regulatory treatment they are afforded gives localities flexibility to attract businesses and thereby increase revenue.

Partial Property Tax Exemption for Rehabilitated Structures

Under current law, localities are authorized to partially exempt from real estate taxation certain structures that have undergone substantial rehabilitation, renovation, or replacement for commercial or industrial use. The structures being exempted must be no less than 20 years old, or no less than 15 years old if the structure is located within an area designated as an enterprise zone by the Commonwealth. Localities are also authorized to place additional restrictions on eligibility for the exemption.

The partial exemption may not exceed the increase in value resulting from the rehabilitation or renovation or 50 percent of the cost of the rehabilitation or renovation as determined by local ordinance. The exemption may commence upon completion of or on January 1 of the year following the rehabilitation, renovation or replacement. The exemption shall run with the real estate for a period of no longer than fifteen years but the locality may place a shorter time limitation on the length of such exemption, or reduce the amount of the exemption in annual steps over the entire period or a portion thereof, in such manner as local ordinance may prescribe.

The locality may assess a fee not to exceed one hundred twenty-five dollars for residential properties, or two hundred fifty dollars for commercial, industrial, and/or apartment properties of six units or more for processing an application requesting the exemption provided by this section. Where rehabilitation is achieved through demolition and replacement of an existing structure, the exemption shall not apply when any 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 landmark.

Proposal

This bill would authorize localities to partially exempt from real estate taxation any structure or other improvement older than 15 years that has undergone substantial rehabilitation, renovation or replacement for commercial or industrial use that is located in a local technology zone.

cc : Secretary of Finance

Date: 1/27/2017 VB
HB1455FE161