

DEPARTMENT OF TAXATION

2018 Fiscal Impact Statement

1. **Patron** Mark L. Keam

3. **Committee** Senate Finance

4. **Title** Local Taxes; Appeal to Court

2. **Bill Number** HB 786

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would clarify the burden of proof standard in an appeal of an assessment of local real property taxes brought in circuit court.

In circuit court cases seeking relief from real property taxes, the burden of proof would remain on the taxpayer to show that the property assessment was incorrect or invalid, but such taxpayer would not be required to show that the assessment is a result of manifest error or disregard of controlling evidence.

Under current law, the burden of proof is on the taxpayer to show by a preponderance of the evidence that the property in question is valued at more than its fair market value or that the assessment is not uniform in its application, and that it was not arrived at in accordance with generally accepted appraisal practices, procedures, rules, and standards. There is no provision regarding manifest error or disregard of controlling evidence.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No

7. **Fiscal Impact:** Not available. (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

Localities could experience unknown administrative costs as a result of this bill. There would be no impact on state administrative costs.

Revenue Impact

To the extent that this bill makes it easier for taxpayers to succeed in local tax appeals in circuit court, localities could experience an unknown revenue loss as a result of this bill. There would be no impact on state revenues.

9. Specific agency or political subdivisions affected: All localities

10. Technical amendment necessary: No

11. Other comments:

Current Law

Any person assessed with any local tax can appeal to the circuit court in the locality in which the property subject to tax is located to show that the tax was incorrectly assessed. In these proceedings, the taxpayer has the burden of proving that the property in question is assessed at more than its fair market value, the assessment is not uniform in its application, or the assessment is otherwise invalid or illegal.

In circuit court cases seeking relief from real property taxes, the burden of proof is on the taxpayer to show by a preponderance of the evidence that the property in question is valued at more than its fair market value or that the assessment is not uniform in its application, and that it was not arrived at in accordance with generally accepted appraisal practices, procedures, rules, and standards as prescribed by nationally recognized professional appraisal organizations such as the International Association of Assessing Officers (IAAO) and applicable Virginia law relating to valuation of property. Mistakes of fact, including computation, that affect the assessment are deemed not to be in accordance with generally accepted appraisal practice.

Proposal

This bill would clarify the burden of proof standard in an appeal of an assessment of local real property taxes brought in circuit court.

In circuit court cases seeking relief from real property taxes, the burden of proof would remain on the taxpayer but such taxpayer would not be required to show that the assessment is a result of manifest error or disregard of controlling evidence.

The effective date of this bill is not specified.

Similar Legislation

House Bill 787 would similarly clarify the burden of proof standard in cases appealing local real property tax assessments before a board of equalization.

cc : Secretary of Finance
Date: 2/13/2018 SK
DLAS File Name: HB786FH1161