

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** Dave A. LaRock

2. **Bill Number** HB 768

3. **Committee** House Finance

House of Origin:

X **Introduced**

 Substitute

 Engrossed

4. **Title** Additional Real Property Tax on Commercial and Industrial Properties in Certain Localities

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would authorize counties and cities in Planning Districts 3, 4, 5, 6, or 7, or any combination of such planning districts, to impose an additional real estate tax on commercial and industrial property at a rate of up to \$0.10 per \$100 of assessed value. Any revenue raised from such additional tax would be required to be used for transportation costs.

Under current law, only localities within the Northern Virginia Transportation Authority or the Hampton Roads metropolitan planning area are authorized to impose such additional tax.

If enacted during the Regular Session of the 2020 General Assembly this bill would become effective July 1, 2020.

6. **Budget amendment necessary:** No

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

8. **Fiscal implications:**

Administrative Costs

This bill would have no impact on state administrative costs but could result in administrative costs to localities in Planning Districts 3, 4, 5, 6, or 7.

Revenue Impact

This bill would have no impact on state revenues but could result in a revenue impact to localities in Planning Districts 3, 4, 5, 6, or 7.

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

Localities in Planning Districts 3, 4, 5, 6, or 7

10. Technical amendment necessary: No.

11. Other comments:

Background

The *Constitution of Virginia* and the *Virginia Code* establish that taxable real estate is segregated for and made subject to local taxation only. All real estate, except that exempted by law, is subject to annual taxation. Certain types of real estate, however, are declared to be a separate class of property and constitute a classification for local taxation separate from other classifications of real property.

As part of an overall plan to address transportation issues in Northern Virginia and Hampton Roads, in 2007 the General Assembly adopted legislation that created a separate classifications for certain commercial and industrial real property in localities included in the Northern Virginia Transportation Authority and the Hampton Roads Transportation Authority. Such classes of property are subject to additional real property tax, at rates not to exceed \$0.10 or \$0.125 per \$100 of assessed value, depending on the region the locality is located in, as the governing body may impose upon the annual assessed value of all real property used for or zoned to permit commercial or industrial uses.

All revenues generated from the additional real property tax imposed are required to be used exclusively for transportation purposes that benefit the locality imposing the tax.

Proposal

This bill would authorize counties and cities in Planning Districts 3, 4, 5, 6, or 7, or any combination of such planning districts, to impose an additional real estate tax on commercial and industrial property at a rate of up to \$0.10 per \$100 of assessed value. Any revenue raised from such additional tax would be required to be used for transportation costs.

If enacted during the Regular Session of the 2020 General Assembly this bill would become effective July 1, 2020.

Similar Legislation

House Bill 755 would provide that, in the City of Petersburg, blighted properties and derelict structures would constitute a separate class of property, and would give Petersburg the authority to levy a tax on blighted properties and derelict structures at a rate that exceeds the general real property tax rate by five and ten percent, respectively.

cc : Secretary of Finance

Date: 1/23/2020 SK
HB768F161