

# Commission on Local Government

## Estimate of Local Fiscal Impact

2021 General Assembly Session

**Bill:** SJ297

**Special Session:**

**Patron:** Bell

**Date:** 1/25/2021

In accordance with the provisions of §30-19.03 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of the above-referenced legislation:

### Bill Summary:

Constitutional amendment (first reference); authority of General Assembly to exempt property owned by certain veterans' and service members' services organizations from taxation. Provides that the General Assembly may by general law exempt from taxation the property of a nonprofit organization whose purpose is to provide services to veterans or service members of the Armed Forces of the United States.

### Executive Summary:

Localities have evaluated a negative fiscal impact ranging from \$0.00 - \$100,000.00. A majority of localities responded with a cost, noted that the exemption of nonprofit organizations serving veterans would have a small impact on real estate, and personal property revenue because many of these organizations that would qualify are already exempt through other programs at the state or local level. Of those that responded with no cost, they noted that they are unable to determine the impact but it would have minimum impact.

### Local Analysis:

**Locality:** Chesterfield County

**Estimated Fiscal Impact:** \$9,000.00

Exemption of nonprofit organizations serving veterans may have a small impact on personal property revenue collection. However, many organizations that would qualify are already exempt through other programs already in effect at the state or local level. Additionally, the personal property values of nonprofits is generally lower than a typical business in the county. As a result, the county does not anticipate the revenue impact of this legislation to be material.

The potential revenue loss is that of up to five nonprofits within the county. With an estimated average personal property value of no more than \$50,000, each organization could have a personal property tax liability of \$1,800 after applying the county's tax rate of \$3.60 per \$100 of assessed value. Multiplying this by 5 organizations, the exemption could result in the loss of up \$9,000 in revenue on an annual basis.

**Locality:** City of Manassas

**Estimated Fiscal Impact:** \$0.00

At this time, we are unable to determine a fiscal impact. We are unaware of any property in the City of Manassas that would meet this criteria, but this could change in the future. Unlike the other paragraphs in this section of the Constitution, the language is not optional for local governments to implement. It states the General Assembly may mandate. This is a clear example of an unfunded mandate that the General Assembly should not adopt unless it proposes to offset any loss of revenue with a direct payment to the locality. The City of Manassas does not support this amendment without making it optional for the locality as are the other paragraphs in this section.

**Locality:** City of Winchester

**Estimated Fiscal Impact:** \$0.00

No immediate fiscal impact. Would like to see localities have the ability to approve their own tax exemptions.

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**Locality:** County of Fauquier

**Estimated Fiscal Impact:** \$10,000.00

Currently, this will have minimum impact as most of these organizations already meet exemption or have been provided an exemption based on their nonprofit status.

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**Locality:** Prince George County

**Estimated Fiscal Impact:** \$2,100.00

Prince George County currently has one property owner, who is currently not already exempt from taxation. The approximate tax revenue loss is estimated at \$2,100.

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**Locality:** Prince William County

**Estimated Fiscal Impact:** \$0.00

At this time, we do not have any data that indicates we non-profit organizations within Prince William County that meet this criteria and therefore would not be impacted by this change.

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**Locality:** Rappahannock County

**Estimated Fiscal Impact:** \$0.00

I do not believe there any nonprofit organizations meeting the intended criterial of the constitutional amendment in Rappahannock County; however, constitutional changes and their subsequent legislative changes to enact such tax exemptions only serve to increase the burden on others. Local taxation is a zero-sum game and revenue must be collected to support necessary expenses. In that sense, this and other such exemptions have no fiscal impact as the need is the need. The constitutional amendment question should read:

"Should the tax burden typically paid by a nonprofit organization whose purpose is to provide services to veterans or service members of the armed forces of the United States be transferred to the general citizenry who have no valid exception available to them?"

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**Locality:** Richmond County

**Estimated Fiscal Impact:** \$0.00

Although well intended, the State should not involve itself with tax exemptions and deferrals at the local level. All of these bills should give the local government the ability to exempt these taxes through local ordinance. If the State is so concerned about giving these people exemptions, they should start with making them tax exempt from sales tax, since that is a tax they do control.

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**Locality:** Rockingham County

**Estimated Fiscal Impact:** \$0.00

No major fiscal impact.

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**Locality:** Town of Ashland

**Estimated Fiscal Impact:** \$0.00

Let localities decide what organizations should be exempt from property taxes since it impacts local revenues.

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**Locality:** Town of Blacksburg

**Estimated Fiscal Impact:** \$1,000.00

This would be an annual cost based on the potential veteran and service member organizations in the town limits. This would be administered thru our County as they provide the assessments for the town. It would have a greater impact on them as they may have more organizations and have a higher tax rate. Most potential organizations already fall under another exempt category.

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**Locality:** Town of Christiansburg

**Estimated Fiscal Impact:** \$0.00

Non-profits are currently exempt from property taxes in Montgomery County and the Town of Christiansburg.

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**Locality:** Town of Leesburg

**Estimated Fiscal Impact:** \$30,000.00

Based upon random samples for exempt organizations located within the Town, we calculated an average of tax dollars exempted for both Real Estate and Personal Property (including business tangibles).

The result was a total tax fiscal impact of \$10,000 for the average. We estimate the fiscal impact for the Bill proposed to be \$30,000 expecting three such organizations to be located within the Town limits.

This is strictly an estimate and is the best estimate we can provide in the timeframe requested and without a true study.

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**Locality:** Town of Luray

**Estimated Fiscal Impact:** \$100,000.00

Loss of real estate tax revenue.

Potential increase in organizations claiming to provide services.