

DEPARTMENT OF TAXATION

2021 Fiscal Impact Statement

1. **Patron** Betsy B. Carr

2. **Bill Number** HB 1969

3. **Committee** Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Administration of Blighted and Derelict
Properties in Certain Localities

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would modify the definition of "qualifying locality" to include any locality with a score of 100 or higher on the fiscal stress index, as published by the Department of Housing and Community Development in July 2020. The 2020 fiscal stress index lists 72 localities that would be included in this category.

Under current law, a qualifying locality is one with a score of 107 or higher on the fiscal stress index, as published by the Department using revised data for 2017. The index for Fiscal Year 2017 lists two localities that meet that criteria. Qualifying localities are able to (i) classify blighted and derelict properties as a separate class of taxable property and assess such property at a higher rate and (ii) sell delinquent tax lands six months after the locality has incurred abatement costs for buildings that have been condemned, constitute a nuisance, are a derelict building, or are declared to be blighted.

The bill also expands the list of localities that have different requirements for the appointment a special commissioner to convey tax-delinquent real estate to the locality in lieu of a public sale at auction. The bill would include any locality with a score of 100 or higher on the fiscal stress index, as published by the Department of Housing and Community Development in July 2020.

Under current law, the Cities of Norfolk, Richmond, Hopewell, Newport News, Petersburg, Fredericksburg, Hampton, and Martinsville are the only localities that have different requirements for appointing a special commissioner.

If enacted during the 2021 General Assembly, Special Session I, this bill would become effective July 1, 2021.

6. **Budget amendment necessary:** No

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

8. Fiscal implications:

Administrative Costs

This bill could have an unknown impact on qualifying localities' administrative costs. It would have no impact on state administrative costs.

Revenue Impact

This bill could have an unknown impact on local revenues. It would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

Qualifying localities

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.

In a qualifying locality, blighted properties, along with the land such properties are located on, are declared to be a separate class of property and constitute a separate classification for local taxation of real property. This allows the locality to levy a tax on this property at a rate different than that levied on other real property. The rate of tax, however, may only exceed the rate applicable to the general class of real property by up to five percent, but must not be less than the rate applicable to the general class of real property. Under current law, a qualifying locality is one with a score of 107 or higher on the fiscal stress index, as published by the Department using revised data for 2017. The index for Fiscal Year 2017 lists two localities that meet that criteria.

Localities have a broad array of tools to collect taxes and liens including collection from the taxpayer's bank account, wages, or income tax refunds, suits against the taxpayer personally, and sale of the real estate to which the tax lien has attached.

State law provides that when any taxes on any real estate in a locality are delinquent on December 31 following the second anniversary of the date on which such taxes have become due the property may be sold for the purpose of collecting all delinquent taxes on such property, or, in the case of real property upon which is situated (i) any structure that has been condemned by the local building official pursuant to applicable law or ordinance; (ii) any nuisance; (iii) any derelict building; or (iv) any property that has been declared to

be blighted as the term is defined in state law, the first anniversary of the date on which such taxes have become due.

Currently, any locality may also seek to convey a parcel or parcels of real estate to the locality instead of selling the property at public auction if (i) each parcel has delinquent real estate taxes or the locality has a lien against the parcel for removal, repair or securing of a building or structure; removal of trash, garbage, refuse, litter; or the cutting of grass, weeds or other foreign growth, (ii) each parcel has an assessed value of \$75,000 or less, and (iii) such taxes and liens, together, including penalty and accumulated interest, exceed 50 percent of the assessed value of the parcel or such taxes alone exceed 25 percent of the assessed value of the parcel.

The Cities of Norfolk, Richmond, Hopewell, Newport News, Petersburg, Fredericksburg, Hampton, and Martinsville are also authorized to have a special commissioner convey real estate in lieu of a public sale at auction when: 1) the tax-delinquent property has an assessed value of \$150,000 or less; 2) the percentage of taxes and other liens, together with penalty and accumulated interest exceeds 35 percent of the assessed value of the parcel or the percentage of taxes alone exceeds 15 percent of the parcel's assessed value; 3) the property is unoccupied; and 4) the locality contracts to sell the parcel to a nonprofit organization that will renovate or construct a single-family dwelling on the parcel for sale as a residence for a person whose income falls below the area median income. To convey a parcel or parcels of real estate to the locality, the locality must petition the circuit court to appoint a special

Proposal

This bill would modify the definition of "qualifying locality" to include any locality with a score of 100 or higher on the fiscal stress index, as published by the Department of Housing and Community Development in July 2020. The 2020 fiscal stress index lists 72 localities that would be included in this category.

Qualifying localities are able to (i) classify blighted and derelict properties as a separate class of taxable property and assess such property at a higher rate and (ii) sell delinquent tax lands six months after the locality has incurred abatement costs for buildings that have been condemned, constitute a nuisance, are a derelict building, or are declared to be blighted.

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cc : Secretary of Finance

Date: 2/25/2021 SK
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