DEPARTMENT OF TAXATION
2023 Fiscal Impact Statement

1. Patron Dave A. LaRock

2. Bill Number HB 1710

House of Origin:

  X   **Introduced**

_____ **Substitute**

_____ **Engrossed**

3. Committee House Finance

Second House:

_____ **In Committee**

_____ **Substitute**

_____ **Enrolled**

4. Title Additional real property tax on commercial and industrial property in certain localities

5. Summary/Purpose:

This bill would, beginning January 1, 2023, authorize localities located in Planning Districts 3, 4, 5, 6, or 7 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. The bill would require any revenue raised from the tax to be used to benefit transportation in the levying locality.

Under current law, only localities within the Northern Virginia Transportation Authority and Hampton Roads metropolitan planning area are authorized to impose this type of additional tax on commercial and industrial properties.

If enacted during the regular session of the 2023 General Assembly, this bill would become effective July 1, 2023.

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 administrative costs in localities located within Planning Districts 3, 4, 5, 6, or 7 to the extent localities choose to exercise the authority granted by the bill. This bill would have no impact on state administrative costs.

Revenue Impact

This bill would have an unknown impact on localities located within Planning Districts 3, 4, 5, 6, or 7 to the extent localities choose to exercise the authority granted by the bill. This bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

Localities within Planning Districts 3, 4, 5, 6, and 7:

- Planning District 3: Cities of Bristol and Galax, Counties of Bland, Carroll, Grayson, Smyth, Washington, and Wythe;

- Planning District 4: City of Radford and Counties of Floyd, Giles, Montgomery, and Pulaski, Towns of Rich Creek, Blacksburg, Christiansburg, Floyd, Narrows, Pearisburg, Pembroke, and Pulaski;

- Planning District 5: Cities of Covington, Roanoke, and Salem, Counties of Alleghany, Botetourt, Craig, Franklin County (joint member with District 12), and Roanoke, and Towns of Clifton Forge, Rocky Mount, and Vinton;

- Planning District 6: Cities of Buena Vista, Harrisonburg, Lexington, Staunton, and Waynesboro, and Counties of Augusta, Bath, Highland, Rockbridge, and Rockingham; and,

- Planning District 7: City of Winchester, Counties of Clarke, Frederick, Page, Shenandoah, and Warren, and Towns of Stephens City, Middletown, Berryville, Boyce, Front Royal, Strasburg, Toms Brook, Woodstock, Edinburg, Mount Jackson, Luray, New Market, Stanley, and Shenandoah.

10. Technical amendment necessary: No.

11. Other comments:

Background

Since 2008, localities within the Northern Virginia Transportation Authority ("NVTA") and Hampton Roads metropolitan planning area ("HRMPA") are authorized to classify all property used or zoned for commercial or industrial as a separate class of real property subject to taxation at a rate differing from that of other property in the locality. Localities within the NVTA are authorized to levy tax on such properties at a rate not to exceed $0.125 per $100 of assessed value while HRMPA localities are limited to a rate of $0.10 per $100. All revenues generated by the tax are to be used to benefit transportation within the levying locality.

Proposal

This bill would, beginning January 1, 2023, authorize localities located in Planning Districts 3, 4, 5, 6, or 7 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. The bill would require any revenue raised from the tax to be used to benefit transportation in the levying locality.

If enacted during the regular session of the 2023 General Assembly, this bill would become effective July 1, 2023.

cc : Secretary of Finance

Date: 1/22/2023 VB
HB1710F161