

DEPARTMENT OF TAXATION

2024 Fiscal Impact Statement

1. **Patron** Joseph P. McNamara

3. **Committee** House Finance

4. **Title** Real Property Tax; Separate Classification
for Improvements

2. **Bill Number** HB 262

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would reclassify, in all localities, improvements to real property as a separate class of real property. As a result of this reclassification any locality would be authorized, after giving public notice and an opportunity for the public to be heard, to levy a tax on the improvements at a different rate than the tax imposed upon the land on which it is located, provided that the rate of tax on does not exceed the rate of tax on the land and the rate of tax on improvements is not zero.

The Cities of Fairfax, Poquoson, Roanoke, and Richmond currently have this authority. In the Cities of Fairfax, Roanoke, and Richmond, the local governing bodies may exercise this authority after first giving public notice and an opportunity for the public to be heard. In the City of Poquoson, the governing body must provide public notice and an opportunity for the public to be heard in the same manner as for real estate tax rate increases.

If enacted during the regular session of the 2024 General Assembly this bill would become effective July 1, 2024.

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. It could result in administrative costs to localities.

Revenue Impact

This bill could have an unknown revenue impact to localities. It would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

All localities.

10. Technical amendment necessary: No.

11. Other comments:

Background

Article X, § 1 of the *Constitution of Virginia* authorizes the General Assembly to define and classify taxable subjects. In the Cities of Fairfax, Poquoson, Roanoke, and Richmond, improvements to real property have been classified as a separate class of real property. As a result of this reclassification, the governing bodies of these cities are authorized, after giving public notice and an opportunity for the public to be heard, to levy a tax on improvements to real estate at a different rate than that imposed on all other real property, provided that the rate of tax on improvements is not zero, and that the rate is equal to or lower than the rate of tax on the land on which the improvement is located. In the City of Poquoson, the governing body must provide public notice and an opportunity for the public to be heard in the same manner as for real estate tax rate increases.

Proposal

This bill would reclassify improvements to real property located in all localities as a separate class of real property. As a result of this reclassification, any locality would be authorized, after giving public notice and an opportunity for the public to be heard, to levy a tax on the improvements at a different rate than the tax imposed upon the land on which it is located, provided that the rate of tax on does not exceed the rate of tax on the land and the rate of tax on improvements is not zero. The bill would not change the current requirement that in the City of Poquoson, the governing body must provide public notice and an opportunity for the public to be heard in the same manner as for real estate tax rate increases.

If enacted during the regular session of the 2024 General Assembly this bill would become effective July 1, 2024.

cc: Secretary of Finance

Date: 1/15/2024 KS
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