

DEPARTMENT OF TAXATION

2022 Fiscal Impact Statement

1. **Patron** Dave A. LaRock

3. **Committee** House Finance

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

2. **Bill Number** HB 1114

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would create a new classification of real property in the counties and cities that are wholly embraced by Planning Districts 3, 4, 5, 6, or 7, or any combination thereof, consisting of all real property used for or zoned to permit commercial or industrial use. Such classification of real property would exclude all residential uses and all multifamily residential uses. Any such locality would be authorized to impose an additional real property tax on property within this classification, at a rate not to exceed \$0.10 per \$100 of assessed value. All revenues generated by this additional tax would be used for transportation purposes that benefit the locality imposing the tax.

Under current law, in the counties and cities that are wholly embraced by the Northern Virginia Transportation Authority or the Hampton Roads metropolitan planning area, all real property used for or zoned to permit commercial or industrial uses has been designated a separate class of real property for local taxation. Any of these localities may impose an additional real property tax on property within this classification, at a rate not to exceed \$0.10 per \$100 of assessed value. All revenues generated by this additional tax must be used for transportation purposes that benefit the locality. Alternatively, any of these localities may create one or more special regional transportation tax districts and impose the tax on such property located in these transportation tax districts.

If enacted during the regular session of the 2022 General Assembly, this bill would become effective July 1, 2022 for tax years beginning January 1, 2020.

6. Budget amendment necessary: No

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

8. Fiscal implications:

Administrative Costs

This bill could result in administrative costs to the counties and cities that are wholly embraced by Planning Districts 3, 4, 5, 6, or 7. This bill would have no impact on state administrative costs.

Revenue Impact

This bill could result in an unknown positive revenue impact to the counties and cities that are wholly embraced by Planning Districts 3, 4, 5, 6, or 7. This bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

Counties and cities that are wholly embraced by Planning Districts 3, 4, 5, 6, or 7

10. Technical amendment necessary: No

11. Other comments:

Background

Under current law, in the counties and cities that are wholly embraced by the Northern Virginia Transportation Authority or the Hampton Roads metropolitan planning area, all real property used for or zoned to permit commercial or industrial uses has been designated a separate class of real property for local taxation. Any of these localities may impose an additional real property tax on property within this classification, at a rate not to exceed \$0.10 per \$100 of assessed value. All revenues generated by this additional tax must be used for transportation purposes that benefit the locality imposing the tax. Alternatively, any of these localities may create one or more special regional transportation tax districts and impose the tax on such property located in these transportation tax districts.

Proposal

This bill would create a new classification of real property in the counties and cities that are wholly embraced by Planning Districts 3, 4, 5, 6, or 7, or any combination of such planning districts, of all real property used for or zoned to permit commercial or industrial use for local taxation. This classification would exclude all residential uses. Any of these localities would be authorized to impose an additional real property tax at a rate not to exceed \$0.10 per \$100 of assessed value upon property within this new classification. All revenues generated by the additional real property taxes imposed upon this classification must be used for transportation purposes that benefit the locality imposing the tax.

The provisions of this bill would include the following localities:

- Planning District 3: Bland County, Bristol City, Carroll County, Galax City, Grayson County, Smyth County, Washington County, Wythe County
- Planning District 4: Floyd County, Giles County, Montgomery County, Pulaski County, Radford City
- Planning District 5: Bedford County, Botetourt County, Montgomery County, Roanoke County, Roanoke City, Salem City
- Planning District 6: Augusta County, Bath County, Buena Vista City, Harrisonburg City, Highland County, Lexington City, Rockbridge County, Rockingham County, Staunton City, Waynesboro City
- Planning District 7: Clarke County, Frederick County, Page County, Shenandoah County, Warren County, Winchester City

If enacted during the regular session of the 2022 General Assembly, this bill would become effective July 1, 2022 for tax years beginning January 1, 2020.

cc : Secretary of Finance

Date: 1/23/2022 SK
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