

DEPARTMENT OF TAXATION

2022 Fiscal Impact Statement

1. **Patron** Michael J. Webert
3. **Committee** Passed House and Senate
4. **Title** Real Property Tax; Exemptions

2. **Bill Number** HB 200
House of Origin:
 Introduced
 Substitute
 Engrossed

Second House:
 In Committee
 Substitute
 X **Enrolled**

5. Summary/Purpose:

This bill would clarify that the property of certain organizations that is tax exempt by classification includes the property of a single member limited liability company whose sole member is such an organization.

Under current law, the real and personal property of an organization classified and used by such organization for a religious, charitable, patriotic, historical, benevolent, cultural, or public park and playground purpose is exempt from property tax.

If enacted during the regular session of the 2022 General Assembly, this bill would become effective July 1, 2022.

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 localities based on the clarification of the exemption. It would have no impact on state administrative costs.

Revenue Impact

This bill could result in 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:

Property Tax Exemptions by Classification or Designation

Prior to January 1, 2003, the *Constitution of Virginia* authorized the General Assembly to exempt from local taxation real and tangible personal property owned by certain nonprofit organizations and used for religious, charitable, patriotic, benevolent, cultural, or public park or playground purposes by classification or by designation by a three-fourths vote in each house. Property is exempt by classification if it fits within a class of property which the General Assembly has established as exempt. Property is exempt by designation when the law designates the property of a named organization as exempt.

The *Virginia Code* lists specific types of organizations that fit into one of the classifications above, including: volunteer fire departments, and volunteer emergency medical services agencies; certain boys and girls clubs; Auxiliaries of the Veterans of World War I; Societies for the Prevention of Cruelty to Animals; Boy Scouts and Girl Scouts of America; Home Demonstration Clubs, 4-H Clubs, and Future Farmers of America, Inc.; American National Red Cross; churches and religious bodies; college alumni associations and foundations; State Future Farmers of America, Future Homemakers of America and Future Business Leaders of America; properties inundated by water; farm club associations; Habitat for Humanity and local affiliates or subsidiaries thereof.

On January 1, 2003, a constitutional amendment took effect that authorized local governing bodies to grant exemptions from local property taxation by ordinance, within the parameters established by the General Assembly. The property tax exemptions established by the General Assembly and existing prior to January 1, 2003 remain in effect, but can be revoked.

Exemptions of property from taxation are strictly construed against the granting of an exemption.

Proposal

This bill would clarify that the property of certain organizations that is tax exempt by classification includes the property of a single member limited liability company whose sole member is such an organization.

If enacted during the regular session of the 2022 General Assembly, this bill would become effective July 1, 2022.

cc : Secretary of Finance

Date: 3/9/2022 SK
HB200FER161