

**DEPARTMENT OF TAXATION
2024 Fiscal Impact Statement**

- 1. **Patron** Lashrecse D. Aird
- 3. **Committee** Passed House and Senate
- 4. **Title** Rates of Tax of Blighted and derelict properties in Qualifying Localities

- 2. **Bill Number** SB 477
House of Origin:
 Introduced
 Substitute
 Engrossed
Second House:
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would provide that the definition of "blighted property" and "derelict building" not include any residential property or structure that serves as the primary residence of its owner.

The bill would also allow a locality with a fiscal stress index of 100 or higher to levy a real property tax on blighted properties and derelict buildings at a rate that exceeds the general real property tax rate by 15 and 30 percent, respectively.

Under current law, the local rate of tax imposed on blighted properties may exceed the rate applicable to the general class of real property by up to 5 percent, and the local rate of tax imposed on derelict properties may exceed the rate applicable to the general class of real property by up to 10 percent.

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 an unknown impact on administrative costs in qualifying localities that choose to exercise the authority granted by the bill.

The bill would have no impact on state administrative costs.

Revenue Impact

This bill would have an unknown impact on revenues of qualifying localities that choose to exercise the authority granted by the bill.

The bill 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 property and derelict buildings, 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 imposed on blighted properties, may exceed the rate applicable to the general class of real property by up to 5 percent, but must not be less than the rate applicable to the general class of real property. The rate of tax imposed on derelict properties may exceed the rate applicable to the general class of real property by up to 10 percent but must not be less than the rate applicable to the general class of real property.

A “qualifying locality” means a 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.

“Blighted property” means any individual commercial, industrial, or residential structure or improvement that endangers the public’s health, safety, or welfare because the structure or improvement upon the property is dilapidated, deteriorated, or violates minimum health and safety standard, or any structure or improvement previously designated as blighted.

“Derelict building” means a residential or nonresidential building or structure, whether or not construction has been completed, that might endanger the public’s health, safety, or welfare and for a continuous period in excess of six months, it has been (i) vacant, (ii) boarded up in accordance with the building code, and (iii) not lawfully connected to electric service from a utility service provider or not lawfully connected to any required water or sewer service from a utility service provider.

Proposal

This bill would provide that the definition of "blighted property" and "derelict building" not include any residential property or structure that serves as the primary residence of its owner.

The bill would also allow a locality with a fiscal stress index of 100 or higher to levy a real property tax on blighted properties and derelict buildings at a rate that exceeds the general real property tax rate by 15 and 30 percent, respectively.

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

cc : Secretary of Finance

Date: 3/7/2024 KS
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