

**DEPARTMENT OF TAXATION
2025 Fiscal Impact Statement**

- 1. **Patron** Jeremy S. McPike
- 3. **Committee** Senate Local Government
- 4. **Title** Local taxes; Zoning; Assessments;
Injunctions; Ordinances

- 2. **Bill Number** SB 1305
House of Origin:
 X **Introduced**
 Substitute
 Engrossed

Second House:
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would provide that, for purposes of real estate subject to a special tax assessment for land preservation by local ordinance, a change to the zoning ordinance shall only be effective following (i) the approval of the relevant modification in the zoning classification of real estate; (ii) the exhaustion of the challenge or appeal period; and (iii) the final determination of any pending challenge or appeal made within such period.

The bill would also provide that, for purposes of subdivided or rezoned lots, the assessment or reassessment required by law shall only be effective following (a) the approval of a modification, exception or change to the classification of the subject real estate; (b) the exhaustion of the challenge or appeal period for such approvals; or (c) the final determination of any pending challenge or appeal made within such period.

The bill also provides that any zoning ordinance enacted after December 1, 2023, shall not become effective until the later of either (i) the exhaustion of the period within which a decision of the local governing body may be contested or (ii) if pending, the date of final determination for all actions related to a contested decision of the local governing body.

The bill also authorizes the circuit court to issue an injunction to stay the collection of taxes during the pendency of any application to the circuit court for an assessment correction upon a showing of hardship and financial inability to satisfy such assessed tax obligation.

Under current law, no suit for the purpose of restraining the assessment or collection of any local tax may be maintained in any court of the Commonwealth, except when the party has no adequate remedy at law.

If enacted during the regular session of the 2025 General Assembly this bill would become effective July 1, 2025.

- 6. **Budget amendment necessary:** No.
- 7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

8. Fiscal implications:

Administrative Costs

This bill may have an unknown impact on local administrative costs but will not impact state costs.

Revenue Impact

This bill may have an unknown impact on local revenues but no impact on state revenue.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No.

11. Other comments:

Land-Use Taxation

Land-use valuation and taxation is intended to encourage conservation by providing tax relief to the owner of real estate devoted solely to agricultural, horticultural, forest, or open space use. Under land-use taxation programs, the land dedicated to the special use is valued based on its current use rather than its full fair market value.

Owners of real property situated in a locality that has adopted a land-use plan and ordinance providing for use value assessments may apply to their local assessing officer for taxation of their real property on the basis of use value. Such owners must devote a minimum number of acres of real property to agricultural, horticultural, forest or open space use.

When the qualified use of real estate changes to a nonqualified use or is zoned for a more intensive use at the request of the owner, roll-back tax liability attaches to the land. Rollback taxes are the difference between what real the property taxes would have been had the property been assessed at fair market value and the real property taxes levied based upon use value. Liability for roll-back attaches at the time the change in use or zoning occurs. Roll-back tax liability is computed by adding the amount of deferred taxes for the past five years and simple interest at the rate applicable to delinquent taxes. In localities that have adopted a sliding scale ordinance, the roll-back tax may be imposed for each of the tax years since the property became subject to land use taxation. Liability for roll-back taxes attaches and is paid to the treasurer only if the amount of tax due exceeds ten dollars.

Subdivided or Rezoned Lots

Whenever a tract of land is subdivided into lots under the provisions of law and plats thereof are recorded, subsequent to any general reassessment of real estate in the city or

county in which such real estate is situated, each lot in such subdivision must be assessed and shown separately upon the land books. The commissioner of the revenue, in assessing each such lot, must assess the lot at fair market value as of January 1 of the year next succeeding the year in which such plat is recorded, without regard to the value at which such tract of land was assessed as acreage but with regard to other assessments of lots in such city or county. Such assessment shall stand until the next general reassessment of real estate in such city or county.

Payment of Administrative Costs

Current law allows the governing body of any locality to impose, upon each person chargeable with delinquent taxes or other delinquent charges and in addition to all penalties and interest, fees to cover the administrative costs and reasonable attorney's or collection agency's fees actually contracted for. The attorney's or collection agency's fees may not exceed 20 percent of the taxes or other charges so collected. The administrative costs so charged are subject to limits ranging from \$30 to \$150, depending on the tax type and timing of collections.

Injunctive Relief

Under current law, no suit for the purpose of restraining the assessment or collection of any local tax shall be maintained in any court of the Commonwealth, except when the party has no adequate remedy at law.

Proposal

This bill would provide that, for purposes of real estate subject to a special tax assessment for land preservation by local ordinance, a change to the zoning ordinance would only be effective following (i) the approval of the relevant modification in the zoning classification of real estate; (ii) the exhaustion of the challenge or appeal period; and (iii) if pending, the final determination of any challenge or appeal made within such period.

The bill would also provide that, for purposes of subdivided or rezoned lots, the assessment or reassessment required by law would only be effective following (a) the approval of a modification in the zoning classification of the subject real estate, an exception to zoning or classification of the subject real estate, or a reclassification of the subject real estate; (b) the exhaustion of the challenge or appeal period for such approvals; or (c) if pending, the final determination of any such challenge or appeal made within such period.

Finally, the bill would provide that any zoning ordinance enacted after December 1, 2023, shall not become effective until the later of either (i) the exhaustion of the period within which a decision of the local governing body may be contested or (ii) if pending, the date of final determination for all actions related to a contested decision of the local governing body.

The bill would also authorize the circuit court to issue an injunction to stay the collection of taxes during the pendency of any application to the circuit court for an assessment correction upon a showing of (i) a bona fide hardship caused by such assessment and (ii)

a bona fide financial inability to satisfy such assessed tax obligation. Any injunction so issued shall not remain in effect later than when a final determination is made on the merits of an assessment correction application.

If enacted during the regular session of the 2025 General Assembly this bill would become effective July 1, 2025.

Similar Legislation

House Bill 2449 would establish qualified leased real estate as a separate class of property. The bill would allow any locality that (i) provides for use value assessment of real estate and (ii) assesses real estate devoted to open-space use at a higher value than real estate devoted to agricultural use, to provide for use value assessment of qualified leased real estate. The bill would also allow qualifying leased real estate to be assessed by a locality at a different rate than real estate subject solely to the open-space use tax rate or real estate subject solely to the agricultural use tax rate.

cc: Secretary of Finance

Date: 1/19/2025 VB
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