

Section 2

Year 2001 Legislative Changes Affecting Local Taxation

This section summarizes the major changes in the *Code of Virginia* enacted by the 2001 session of the Virginia General Assembly for those taxes covered in this publication. The summary is taken from the Virginia Department of Taxation's *2001 Legislative Summary* with minor changes for length constraints. The department's study also includes information on state taxes and new provisions governing tax collection and administration that are not reprinted in this publication. The full text of the *2001 Legislative Summary* can be found at www.tax.state.va.us/publications.htm.

Additional information can be found in the Virginia Association of Counties' *2001 Summary of State Legislation Affecting Counties* (web address: www.vaco.org), and the Virginia Municipal League's *2001 Legislative Report* (web address: www.vml.org/legact.html).

This section provides a synopsis of enacted legislation. It is for informational purposes only. The listing is not a substitute for actual Department of Taxation regulations, state law, or local ordinances.

GENERAL PROVISIONS

Taxing of Real and Personal Property Located in Special Zones - New

Effective Date: July 1, 2001

Code Section Amended: § 27-23.1

House Bill 2087 (Chapter 111) removes any real property that has qualified for an agricultural or forestal use-value assessment from local fire and rescue zones or districts in Augusta County. All real property and personal property located within these districts is exempt from special local real estate and personal property taxes levied in these zones or districts.

TANGIBLE PERSONAL PROPERTY TAX

Reduced Rate for Auxiliary Deputy Sheriffs Primary Private Vehicle - New

Effective Date: July 1, 2001

Code Section Amended: § 58.1-3506

House Bill 1752 (Chapter 41) reclassifies motor vehicles owned or leased by persons who serve as auxiliary, reserve or special deputy sheriffs as a separate class of tangible personal property. Only

the motor vehicle that is regularly used by each auxiliary deputy sheriff to respond to auxiliary deputy sheriff duties may be specially classified under this section. Localities are authorized to impose a tangible personal property tax on motor vehicles owned or leased by auxiliary, reserve, or special deputy sheriffs at a rate that does not exceed that for the general class of tangible personal property in the locality.

Reclassification of Forest Harvesting Equipment - Amended

Effective Date: July 1, 2001

Code Section Amended: § 58.1-3506

House Bill 1775 (Chapter 447) reclassifies equipment used in forest harvesting and silvicultural activity to be in a separate class of tangible personal property. As a result of this reclassification, localities may impose a tangible personal property tax on equipment used in forest harvesting and silvicultural activity at a rate of tax and rate of assessment which does not exceed that applicable to the general class of tangible personal property in the locality.

REAL ESTATE TAX

Delinquent Real Estate Taxes - Amended

Effective Date: July 1, 2001

Code Section Amended: § 58.1-3967

House Bill 1715 (Chapter 37) provides that any unclaimed surplus from the proceeds of sales of real estate for delinquent real property taxes shall be paid to the county, city, or town that received the proceeds from the sale of the real estate. In those instances in which both a county and a town receive proceeds from the same sale, the

unclaimed surplus shall be divided between the two based on the amount of proceeds each received from the initial sale.

Real Estate Reassessments: Hanover County - Extended

Effective Date: July 1, 2001

Code Section Amended: § 58.1-3257

House Bill 1830 (Chapter 449) extends the deadline for completing the general reassessment of real estate in any county having a population of at least 63,200 but not more than 63,500, as determined by the 1990 United States Census, by three months, from December 31 to March 31.

Exemption or Deferral of Property Taxes for Certain Elderly and Handicapped - Amended

Effective Date: July 1, 2001

Code Section Amended: § 58.1-3211

House Bill 1987 (Chapter 547) and Senate Bill 939 (Chapter 428) authorize localities to increase from \$30,000 to \$50,000 the maximum income limitation for purposes of obtaining an exemption or deferral of real property taxes for qualified elderly or permanently disabled persons. It also authorizes localities in the Northern Virginia Planning District to increase from \$52,000 to \$62,000 the maximum income limitation for purposes of obtaining an exemption or deferral of real property taxes for qualified elderly or permanently disabled persons. Localities in the Northern Virginia Planning District are authorized to increase the maximum combined

financial worth limitation from \$195,000 to \$240,000.

Land Use Assessment; Extension of Deadline - Amended

Effective Date: July 1, 2001

Code Section Amended: § 58.1-3234

House Bill 2022 (Chapter 50) authorizes localities to grant one additional extension of the filing deadline for applications for land use assessment. Upon payment by the property owner of an additional extension fee, the property owner would be able to timely file the application within thirty days after notices of assessment are mailed.

Use Value Assessments - Waiver of Prior Use Requirement - Multi-Year Agricultural and Horticultural Crops - New

Effective Date: July 1, 2001

Code Section Amended: § 58.1-3132

Senate Bill 901 (Chapter 705) authorizes localities to waive any minimum prior use requirement for eligibility for use value assessment for real estate devoted to the production of agricultural and horticultural crops that require more

than two years from initial planting until commercially feasible harvesting.

Application Fee Increase for Partial Exemptions & Tax Credits - Amended

Effective Date: July 1, 2001

Code Section Amended: §§ 58.1-3220, 58.1-3220.1, and 58.1-3221

Senate Bill 1242 (Chapter 489) increases the maximum fee that localities are authorized to impose for applications for real property tax partial exemptions and tax credits for certain rehabilitated, renovated, or replacement structures. The fee may not exceed \$125 for residential properties, or \$250 for commercial, industrial, and/or apartment properties of six units or more.

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX

Local License Taxes Not Imposed on Public Utilities - Clarification

Effective Date: July 1, 2001

Code Section Amended: §§ 58.1-2901 and 58.1-3731

House Bill 2790 (Chapter 829) and Senate Bill 1421 (Chapter 861) clarify that gas and electricity suppliers are subject to the local license on gross receipts for calendar year 2000.

MISCELLANEOUS TAXES

SCC Tax

Natural Gas Consumption Tax Collection - Amended

Effective Date: March 26, 2001

Code Section Amended: §§ 58.1-2905 and 58.1-3814

Senate Bill 834 (Chapter 737) requires any excess portion of the local component of the Natural Gas Consumption Tax be remitted to the State Corporation Commission (SCC) to be deposited into the state treasury. This requirement is identical to the procedure in place for the same situation with respect to the Electric Utility Consumption Tax.

Consumer Utility Tax

Exemption from Tax for Specific Properties - New

Effective Date: July 1, 2001

Code Section Added: § 58.1-3816.2

House Bill 2287 (Chapter 302) gives local governing bodies the authority to grant exemptions from any or all consumer utility taxes (except the E-911 tax) for utilities consumed on property that has been designated as exempt from real property taxes as defined in the Constitution of Virginia. Counties, cities or towns that grant such an exemption are required to provide the telephone account numbers of exempted organizations to all service providers required to collect consumer utility taxes.

Local Admissions Tax

Virginia Baseball Stadium Authority - Extended

Effective Date: July 1, 2001

Code Section Amended: § 58.1-3818

House Bill 1603 (Chapter 442) and Senate Bill 794 (Chapter 425) extend the sunset date for enacting local admissions taxes on events held at major league baseball stadiums from January 1, 2002, to January 1, 2005. The authority to levy these local taxes will expire on January 1, 2005, unless, before that time, the Virginia Baseball Stadium Authority has executed a lease with a major league baseball team.

Authority to Impose Tax; New Kent County - New

Effective Date: July 1, 2001

Code Section Amended: § 58.1-3818

Senate Bill 1086 (Chapter 485) added New Kent County to the existing list of counties authorized to levy an admissions tax.

Transient Occupancy Tax

Increased Transient Occupancy Tax; Bedford County - Amended

Effective Date: July 1, 2001

Code Section Amended: § 58.1-3819

House Bill 1761 (Chapter 585) allows Bedford County to increase its transient occupancy tax to a maximum rate of five percent. The revenues collected from that portion of the tax over the two percent rate must be designated and spent for tourism or tourism initiatives that draw travelers to Bedford County.

**Authority to Impose Tax;
Mecklenburg County - Amended**

Effective Date: July 1, 2001

Code Section Amended: § 58.1-3819

Senate Bill 1110 (Chapter 571) allows Mecklenburg County to impose a transient occupancy tax at a rate not to exceed five percent. The revenues collected from that portion of the tax over the two percent rate must be designated and spent for tourism and tourism initiatives that draw travelers to Mecklenburg County.

Coal and Gas Severance Tax

**Authority to Levy Coal and Gas
Severance Tax - Amended**

Effective Date: July 1, 2001

Code Section Amended: §58.1-3713.3

House Bill 2528 (Chapter 303) and Senate Bill 1410 (Chapter 294) provide that all local ordinances adopted pursuant to the authority to levy a license tax based on the business of severing coal or gases prior to January 1, 2001, shall be deemed valid as long as they were in substantial compliance with the provisions of the Business, Professional and Occupational License tax at the time of their adoption.

TAX COLLECTION/ADMINISTRATION.

**Liens on Property for Unpaid
Severance Taxes - New**

Effective Date: July 1, 2001

Code Section Amended: §§ 58.1-3343, 58.1-3930, 58.1-3932, and 58.1-3959

Code Section Added: § 58.1-3713.5

House Bill 2220 (Chapter 462) creates a lien, for the payment of local coal severance license taxes, on all real and personal property owned by persons engaged in the business of severing coal. This lien applies only to property located in the county or city where such severing takes place. Additionally, localities are authorized to sell real estate encumbered by this lien in the same manner as real estate subject to delinquent real estate taxes.

Compact Between Localities - New

Effective Date: July 1, 2001

Code Section Amended: § 58.1-3133

House Bill 2443 (Chapter 470) allows two or more localities to enter into compacts by which, following a notice and a hearing, the treasurer paying warrants may first deduct taxes and other charges owed to any participating locality that are due from the party in whose favor the warrant is drawn. The compact must conform substantially to the provisions of the department administered, Setoff Debt Collection

Act. To qualify for payment, the claimant jurisdiction must certify that it is entitled to such funds before any funds are released.

Warrants, Tax Bills and Security Interests - Amended

Effective Date: July 1, 2001

Code Section Amended: §§ 58.1-3133, 58.1-3912, and 58.1-3942

House Bill 1999 (Chapter 801) authorizes treasurers to deduct other charges in addition to taxes, that are due from a party in whose favor a warrant is drawn and to transmit any tax bill electronically, with the written consent of and by means chosen by the taxpayer. The bill also clarifies that taxes specifically assessed against goods and chattels distrained constitute a lien against the property so assessed and shall have priority over all security interests.

