

Capitol Contact

Virginia General Assembly

Virginia Association of Counties • 1207 E. Main Street, Suite 300 • Richmond, VA 23219
www.vaco.org • 804.788.6652

Thursday, February 8, 2024

School Construction Financing Bills Heading to House Floor – Contact Your Delegates Now!

On February 7, the House Finance Committee reported with a substitute [HB 805 \(Rasoul\)](#) on a bipartisan vote of 13-8. As previously [reported](#), this bill would permit any county or city to impose an additional local sales and use tax of up to 1 percent, if initiated by a resolution of the local governing body and approved by voters at a local referendum. The revenues of such a local tax would be used solely for capital projects for the construction or renovation of schools. Any tax imposed shall expire when the costs for capital projects are to be repaid and shall not be more than 20 years after the date of the resolution passed. Currently, this authority is limited to the qualifying localities of Charlotte, Gloucester, Halifax, Henry, Mecklenburg, Northampton, Patrick, and Pittsylvania Counties and the City of Danville.

HB 805 heads to the full [House of Delegates](#) where it could be heard as early as the afternoon of February 9.

ACTION REQUIRED – Contact your Delegates (2-Part Email List – [Delegates 1](#) | [Delegates 2](#)) now to urge them to support HB 805.

HB 805 incorporates various “standalone” bills before the committee, including [HB 60 \(Wright\)](#) and [HB 193 \(Cole\)](#) for Prince Edward County and Stafford County respectively. The substitute also allows localities that choose to exercise this authority, if approved by voter referendum, to use the revenues from such authority for school capital debt payments.

The Senate version of the bill, [SB 14 \(McPike\)](#), passed the Senate on a bipartisan vote of 27-13 and now awaits assignment to committee in the House. Both versions of the bill will need to be conformed before passage.

VACo and numerous other local government and K-12 advocates have testified in favor of the bill. VACo thanks its members and those who advocated for the bill.

Please review this [video](#) and [one-pager](#) for information on the desperate need for more school construction financing options.

KEY POINTS

- Funding for school construction and renovation is one of the biggest concerns and responsibilities of local governments in the Commonwealth and has been almost solely a local responsibility for decades. The condition of the facilities in which children are educated has a direct impact on their ability to learn.
- Many localities face significant challenges in raising sufficient funds to undertake these projects. These challenges include over-reliance on real property taxes to generate revenue, which can have vastly different yields depending on the locality and disproportionately burden a subset of taxpayers within a jurisdiction. This raises concerns over equity and diversity of revenues.
- According to the [Commission on School Construction and Modernization](#), more than half of K-12 school buildings in Virginia are more than 50 years old. The amount of funding needed to replace these buildings is estimated to cost \$24.8 billion.
- This legislation was a unanimous recommendation by the Commission on School Construction and Modernization.
- This bill is about parity for local governments, giving all counties the same authority currently given to nine localities.
- This bill is **NOT** a tax increase. It would merely create a local option and another tool in the toolbox of local government, which would only be enacted by local referendum.

KEY CONTACTS

- [Delegates 1](#) | [Delegates 2](#)

VACo Contact: [Jeremy R. Bennett](#)

Finance Update: Assessment Bill Continued to 2025, Meals Tax Bill Amended, and More

Assessments of affordable housing: [HB 1446 \(Coyner\)](#) proposed a significant policy change to the assessment of affordable housing properties. Although the bill was amended in subcommittee to limit its applicability to properties in certain federal programs, VACo continued to voice serious concerns about the breadth of the changes proposed and strongly encouraged this bill to be referred to the Housing Commission or other venue for a more thorough discussion. On Wednesday, the full House Finance Committee continued the bill to 2025 with a letter to the Housing Commission. VACo and partner organizations had expressed a series of concerns with the bill.

- Under current law, assessors are required to use an income approach to value affordable housing in accordance with provisions of statute, which require the assessor to consider the contract rent and the impact of applicable rent restrictions; restrictions on the transfer of title or other restraints on alienation of the real property; and the actual operating expenses and expenditures and the impact of any such additional expenses or expenditures.
- The bill would require assessors to use ONLY the income approach for property operated as affordable housing as part of certain federal affordable housing programs. Strictly prescribing the use of one methodology does not comport with generally accepted appraisal practices, which allow some flexibility to address circumstances where the income approach is not appropriate (for example, when property is under construction).
- The bill did not provide solutions for situations in which the property owner fails to provide income and expense information to the assessor.
- The bill included extensive provisions prescribing the assessor's "understanding" of aspects of the affordable housing industry, which appeared to single out this type of property and elevate it over other types of property in the locality.
- The bill required the assessor to provide property owners prompt (within 10 days) access to materials used in arriving at the owner's assessment. Concerns were raised about the potential conflict with statutes mandating taxpayer confidentiality, as assessments may be prepared in part by referencing the confidential income and expense information provided by the owners of other like properties.
- The bill provided that if the assessor failed or refused to make appropriate efforts in accordance with generally accepted appraisal practices to obtain materials necessary to arrive at the assessment of affordable rental housing,

and the owner prevailed in its appeal to a board of review, board of equalization, or circuit court, the locality would be required to reimburse the owner for attorney fees and costs. VACo expressed concern that this provision would encourage frivolous tax challenges by requiring localities to pay attorney fees and costs for an owner's successful tax appeal without also requiring owners to pay the locality's attorney fees and costs for an unsuccessful challenge.

Meals taxes: Legislation introduced as a result of problems with meals tax collections in the City of Richmond has been substantially amended to limit its applicability and scope. [HB 1483 \(McQuinn\)](#) and [SB 294 \(DeSteph\)](#), as amended, apply only to cities with directors of finance. The bills require that any voluntary meals tax payment that is accompanied by a tax return or written instructions as to its application will be applied in accordance with the return or written instructions. In order to ensure that delinquent taxes do not "age out" under the statute of limitations, the legislation provides that in this situation, the applicable statute of limitations would be extended by a period of 12 months. The bills also make clear that the director of finance has the discretion to waive any penalties and interest when he or she determines that the best interest of the locality will be served by such waiver. VACo now has no position on the legislation since it no longer applies to counties. SB 294 was passed by indefinitely in Senate Finance and Appropriations this week; HB 1483 has been reported by the House Finance Committee with the addition of an emergency clause.

[HB 1535 \(Jones\)](#) was introduced at the request of the City of Richmond and permits any county, city, or town that requires local businesses to collect meals taxes to allow such businesses a commission for such service in the form of a deduction from the tax remitted (this commission is intended to compensate businesses for credit card processing fees and other administrative costs associated with collecting the taxes), without requiring that the business be up-to-date on its taxes to collect the commission. The commission would be capped at 5 percent. The bill was reported from House Finance and is headed to the House floor.

Transient occupancy taxes and accommodations intermediaries: [HB 1328 \(McNamara\)](#) and [HB 695 \(Ware\)](#) take different approaches to the collection of transient occupancy taxes from accommodations intermediaries. HB 1328 would centralize collections of transient occupancy taxes from accommodations intermediaries with the Department of Taxation, which would be tasked with contracting with a third-party provider to develop an electronic interface for accommodations intermediaries to make a single filing and payment for all localities. The electronic interface would allow for monthly distributions of taxes to the locality in which the taxes were collected. VACo opposes the bill and spoke against it in subcommittee, where it was recommended to be tabled. VACo has historically advocated for retaining local authority to administer local taxes.

[HB 695 \(Ware\)](#) would improve enforcement of compliance with tax collections and other local regulations for short-term rentals. The bill requires accommodations

providers and accommodations intermediaries to register with the Department of Taxation and provide information regarding the addresses of individual properties offered for short-term rental and amounts collected for room charges, fees, and taxes. The Department would provide access to this information to the Commissioners of the Revenue or other assessing officials, who would be able to share certain information with local zoning officials. VACo spoke in support of the measure in subcommittee; the bill has been reported and referred to the House Appropriations Committee. In order to remove the bill's fiscal impact in the upcoming biennium, its effective date was delayed until July 1, 2026.

Car tax: [HB 1308 \(Green\)](#), which would have functionally eliminated the car tax by removing the \$950 million cap on state reimbursement and requiring localities that receive reimbursement payments to reduce their tax rates to a fraction of a cent, was tabled in a subcommittee of House Finance last week. [SB 126 \(New Craig\)](#), which would have dedicated a portion of state General Fund surplus revenues in excess of \$250 million to car tax relief and increased from \$20,000 to \$30,000 the base value for a vehicle to qualify for personal property tax relief, was continued to 2025 in Senate Finance and Appropriations.

Grocery tax: [HB 540 \(McNamara\)](#) would eliminate the local portion of the grocery tax and replace the lost revenue with a supplemental school payment that would initially be based on each city's and county's estimated average share of sales tax distributions attributable to sales of food and essential personal hygiene products between February 2022 and December 2023, and then based on a pro rata share of sales tax collections (after July 1, 2026). VACo remains opposed to eliminating this local revenue source; while the bill would provide for replacement revenue, localities would be relying on the state to honor this commitment in the future. This bill was continued to 2025 in House Finance; a companion measure was passed by indefinitely in Senate Finance and Appropriations earlier in the session.

Tax bills and assessment notices: [HB 1004 \(Lovejoy\)](#), as introduced, would have required each local governing body to include with all real estate tax bills that are required to be sent by mail a document summarizing the major components of the locality's budget for the last two fiscal years. (Current Code language allows a local governing body to include information with real estate or personal property tax bills about how revenue is apportioned.) VACo expressed concerns to the patron about the administrative costs involved in such a requirement, pointing out that many homeowners' tax bills are sent to mortgage servicers, and that sending a separate notice to the homeowner would likely be necessary in order to accomplish the bill's purpose. The patron amended the bill to allow localities to provide such information on the assessment notice, at local option, and to permit the inclusion of a link to an online copy of the information. However, House Finance subcommittee members were still concerned about the benefits of such notice relative to the administrative costs involved and tabled the bill.

VACo Contact: [Katie Boyle](#)

Key Dates for the 2024 General Assembly

As part of its organizational work on the first day of the 2024 session, the General Assembly adopted a procedural resolution on January 10 that sets out important dates and deadlines for the 2024 legislative session.

- **January 10:** General Assembly convened at noon. Bills that were “prefiled” were due to be submitted by 10:00 a.m. Bills affecting the Virginia Retirement System, or creating or continuing a study, were required to be filed by adjournment of the floor session.
- **January 12:** Deadline for submission of member budget amendments.
- **January 19:** Deadline for all bills or joint resolutions to be filed (by 3 p.m.), with some exceptions, such as legislation introduced at the request of the Governor or legislation allowed to be introduced after deadlines by unanimous consent.
- **February 13:** “Crossover” deadline for each chamber to complete work on legislation originating in that chamber (except for the budget bill).
- **February 18:** “Budget Sunday,” the deadline for the “money committees” to report their respective budgets by midnight.
- **February 22:** Deadline for each chamber to complete consideration of its budget bill.
- **February 28:** Deadline for each chamber to complete consideration of the other chamber’s budget bill and revenue bills.
- **March 4:** Deadline for committee consideration of legislation, by midnight.
- **March 9:** Scheduled adjournment *sine die*.
- **April 17:** Reconvened session for consideration of Governor’s amendments and vetoes.

VACo Contact: [Katie Boyle](#)