

Section 7

Service Charges on Tax-Exempt Property, 1999

Sections §§58.1-3400 through 58.1-3407 of the *Code of Virginia* authorize localities to impose service charge on otherwise tax-exempt property. Several types of property are excluded from this provision, including the land and buildings of churches used exclusively for worship and property used exclusively for non-profit private educational or charitable purposes.

In 1981, the Virginia General Assembly amended the *Code* to restrict the use of the service charge on the value of real estate owned by the Commonwealth to those localities where such property—excluding hospitals, educational institutions, roadway property, or property held for future construction—exceeds 3 percent of the value of all real estate located within the jurisdiction's boundaries. (Under these guidelines, the City of Richmond is the only locality able to impose the service charge.) However, the service charge may still be levied on faculty and staff housing of state educational institutions, regardless of the portion of state-owned property located within the locality.

The service charge is based on the assessed value of the state- or privately-owned real estate and the amount the locality has expended in furnishing police and fire protection,

refuse collection and disposal, and the cost of public school education (applicable only in the case of faculty and staff housing of an educational institution). These expenditures must exclude any federal or state grants specifically designated for these purposes and any assistance provided to localities under Title 14.1, Article 10, Law-Enforcement Expenditures, of the *Code of Virginia*. If such services are not provided to the tax-exempt real estate or are funded by another service charge, the expenditures may not be included in calculations.

The service charge may not exceed 20 percent of the real estate tax rate (or 50 percent in the case of faculty and staff housing). The charge is determined by dividing the expenditures, as defined in the previous paragraph, by the assessed fair market value of all the real estate within the locality (expressed in hundreds of dollars), except real estate owned by the United States government or by any of its instrumentalities.

Table 7.1 shows that 14 cities and 7 counties impose a service charge. For further information, see the Auditor of Public Accounts, *Comparative Report of Local Government Revenues and Expenditures, Year Ended June 30, 1998, Exhibit B-1, "Payments in Lieu of Taxes from the Commonwealth."*

Table 7.1
Service Charges on Tax-Exempt Property

Locality	Rate per \$100 of Assessed Value	
	State-Owned	Privately-Owned
Cities	Note: All cities responded to the survey. Those that answered "no" or "not applicable" for the item in this table are excluded.	
Buena Vista	N/A	0.92
Charlottesville	1.11	1.11
Fredericksburg	0.62	N/A
Harrisonburg	20% of real estate tax rate	20% of real estate tax rate
Lexington	1/2 of real estate tax rate	1/2 of real estate tax rate
Petersburg	N/A	0.28
Roanoke	N/A	1.22
Staunton	N/A	0.20
Counties	Note: All counties responded to the survey. Those that answered "no" or "not applicable" for the item in this table are excluded.	
Fluvanna	0.128	N/A
Towns	Note: No towns impose this fee.	