

# DEPARTMENT OF TAXATION

## 2001 Fiscal Impact Statement

1. **Patron** Black

2. **Bill Number** HB 1988

3. **Committee** House Finance

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Income Tax: Deduction for Common Interest  
Community Assessments

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would create an income tax deduction for individuals for municipal services included in regular annual assessments paid to a common interest community. A common interest community is real estate divided into lots and common areas in which a person, by ownership of a lot in the community, is a member of the association and is obligated to pay assessments by virtue of a recorded instrument.

This bill would be effective for taxable years beginning on and after January 1, 2002.

6. **Fiscal Impact Estimates are:** Tentative. (See Line 8.)

#### 6b. **Revenue Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2000-01	\$0	GF
2001-02	\$0	GF
2002-03	<\$4.0 million>	GF

7. **Budget amendment necessary:** No.

### 8. **Fiscal implications:**

This bill would reduce General Fund revenues by approximately \$4.0 million beginning in fiscal year 2003.

While this bill does have costs associated with systems development, these cannot be ascertained at this time. The cost for implementing a **single** piece of legislation cannot be calculated precisely due to economies of scale. The actual cost to implement **all** legislation enacted during a given session will more than likely be less than the sum of the costs attributed to individual bills. Further, the ability to accurately predict costs is complicated because TAX is replacing its current database system. As a result,

legislative changes may need to be made to both the current and the future system, depending on the effective date. Therefore, TAX is not providing specific systems costs for this bill, but will calculate the total for all tax bills once they have been acted upon favorably. Other administrative costs to implement this bill would be minimal.

**9. Specific agency or political subdivisions affected:**

Department of Taxation

**10. Technical amendment necessary:** None.

**11. Other comments:**

This bill would create an income tax deduction to individuals for a portion of the annual fees which the individual is obligated to pay to a neighborhood association, condominium association, or any other type of association based upon ownership of a lot or condominium. The area or neighborhood for which the fee is based must be within Virginia. The obligation to pay the annual fees must arise from a deed or instrument recorded in the land records of the county or city in which the area or neighborhood or any part thereof resides.

The portion of the fees that the individual would be allowed to deduct is the portion representing municipal services. Municipal services are defined as fire and rescue, trash removal, street snow removal, street maintenance, road maintenance, parkland upkeep, storm-water management maintenance, and security services.

cc: Secretary of Finance

**Date:** 1/13/01/CT

Document: S:\2001leg\WorkInProgress\OTPwork\House Bills\HB1988F161.doc