

# DEPARTMENT OF TAXATION

## 2004 Fiscal Impact Statement

1. **Patron** Stephen C. Shannon

3. **Committee** House Finance

4. **Title** Income Tax: Real Property Tax Credit

2. **Bill Number** HB 1470

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

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

This bill would create an individual income tax credit equal to real property tax paid in excess of 104% of the prior years tax. The credit would be available for individuals that own a single family dwelling provided that the dwelling is the taxpayer's primary residence, the dwelling was not improved or rezoned during the taxable year, and the real property tax on the dwelling was paid to a locality that has a composite index of 0.7 or greater.

The credit would be effective for taxable years beginning on or after January 1, 2005.

6. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

#### 6a. **Expenditure Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2003-04	\$0	GF
2004-05	\$35,460	GF
2005-06	\$158,624	GF
2006-07	\$3,671	GF
2007-08	\$3,781	GF
2008-09	\$3,895	GF
2009-10	\$4,011	GF

7. **Budget amendment necessary:** Yes.

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

#### Administrative Costs

The Department would incur administrative costs of \$35,460 for Fiscal Year 2005, \$158,624 for Fiscal Year 2006, \$3,671 for Fiscal Year 2007, \$3,781 for Fiscal Year 2008, \$3,895 for Fiscal Year 2009, and \$4,011 for Fiscal Year 2010. These costs would include forms changes, printing and distribution, and systems modifications.

## Revenue Impact

The General Fund revenue loss from this bill is unknown. While data is available that shows how much the average real property tax bills increased in the eligible localities in recent years, there is no information that allows the segregation of properties that are single family, owner occupied, and were not improved or rezoned.

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

Department of Taxation

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

### **11. Other comments:**

Under this bill, certain taxpayers whose real property tax increased in excess of 4% over the preceding years tax would be entitled to an individual income tax credit. The credit would be equal to the amount of real property tax paid in excess of 104% of the prior years tax.

In order to qualify for the credit, the real property would have to be a single family home that is the taxpayer's primary residence and has not been improved or rezoned during the taxable year. Also, the credit would be limited to real property taxes paid to a locality that has a composite index of 0.7 or greater.

The Department of Education uses the composite index to determine the state share of local school division funding. The 11 localities with a current composite index of 0.7 or greater include the counties of Arlington, Bath, Fairfax, Goochland, Loudoun, and Surry; and the cities of Alexandria, Fairfax, Falls Church, Fredericksburg, and Williamsburg.

The credit would be available for taxable years beginning on and after January 1, 2005. The credit would not be refundable. Unused credits could be carried over for five succeeding taxable years until used. Any credits that are unused at the end of the five-year period would expire. Unused credits could not be carried back.

cc : Secretary of Finance

Date: 2/1/2004 dtm