

# DEPARTMENT OF TAXATION

## 2005 Fiscal Impact Statement

1. **Patron** Jeffrey M. Frederick

2. **Bill Number** HB 1530

3. **Committee** House Finance

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Individual and Corporate Income Tax: Tax  
Credit for Individuals and Corporations  
Providing Parking for Commuters

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

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

This bill would offer an income tax credit to individuals or corporations who own a shopping center or strip mall that includes free public parking on the property and who allow commuters to park in certain portions of the public area. The minimum number of spaces that would be required for commuter parking is 50. The amount of the credit would be \$50 for each approved parking space. Should the credit exceed the taxpayer's income tax liability, the excess amount could be carried over for three years.

This bill would be effective for taxable years beginning on or after January 1, 2006.

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

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

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Positions</b></i>	<i><b>Fund</b></i>
2004-05	\$0	0	GF
2005-06	\$0	0	GF
2006-07	\$168,560	0	GF
2007-08	\$3,554	0	GF
2008-09	\$3,671	0	GF
2009-10	\$3,781	0	GF
2010-11	\$3,895	0	GF

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

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

The Department would incur administrative costs of \$168,560 for FY 2007, \$3,554 for FY 2008, \$3,671 for FY 2009, \$3,781 for FY 2010 and \$3,895 for FY 2011. These costs are for forms development and systems modifications. Localities would also incur costs in developing guidelines, amending zoning ordinances, reviewing applications, and conducting annual inspections.

The revenue loss associated with this bill is unknown, but could be substantial. The amount is difficult to determine because there is a lack of data regarding private

commercial parking facilities that presently have informal agreements with commuters. However, informal data concerning the counties that comprise Northern Virginia suggests that the area has a total of at least 2,155 commercial commuter spaces, which would create a revenue loss of \$107,750 per year. This provides a minimum for the potential revenue loss.

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

Department of Taxation

**10. Technical amendment necessary: Yes.**

To encourage electronic filing (which cannot accommodate paper attachments), the following technical amendment is proposed:

Page 1, Line 40 after are located

Strike: which shall issue a verification certificate to the taxpayer. The taxpayer shall attach the certificate to the Virginia tax return on which the credit is claimed.

Insert: . The local governing body shall provide notification of approval to the Taxpayer and the Department in accordance with procedures and processes developed by the Department.

**11. Other comments:**

This bill would grant an income tax credit to both individual and corporate owners of shopping centers or strip malls that include free public parking on the property and who allow commuters to park in those public areas. However, there is no requirement that commuters actually use the parking spaces. The minimum number of spaces required to be available to commuters is 50; and the amount of the credit would be \$50 per approved space. If the amount of the credit exceeds the taxpayer's income tax liability, the excess credit could be carried over for the next three taxable years.

This bill would require the governing body of the county, city or town in which the shopping center or strip mall is located to develop guidelines setting forth the general requirements for qualifying for the credit. These requirements would include (i) which parking lots qualify, (ii) the filing in the local clerk's office of some form of legal record indicating which parking lots qualify, and (iii) the provision in the zoning ordinance where surplus parking spaces may be committed to commuter parking. In addition, under this bill the taxpayer would be required to certify that the parking spaces allotted to commuter parking do not infringe on the parking spaces needed by the customers of the shopping centers or strip malls.

Under this bill, the minimum duration for the commuter parking space designation would be two years for each qualified taxpayer. Officials in the applicable locality would be required to check each parking lot annually to verify its continued compliance and report their findings to the Department of Taxation. If the local officials determine that parking spaces are no longer designated and used by commuters prior to the end of the required term, this bill would require written notification to be delivered to the taxpayer and the Department of Taxation.

In order to claim this credit, this bill requires the taxpayer to apply to the governing body of the locality where the parking spaces are located. This body would issue a verification certificate to the taxpayer, who would then attach this certificate to the Virginia tax return. Should the parking spaces lose their designation prior to the end of the two-year minimum term, the taxpayer would be required to repay the credit claimed within 60 days of receiving written notification from the local governing body. If repayment were not made within the 60 days, the Department of Taxation would be required to notify the locality's Commonwealth Attorney for assistance in collecting the funds.

cc : Secretary of Finance

Date: 1/15/2005 AMS  
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