

DEPARTMENT OF TAXATION

2005 Fiscal Impact Statement

1. **Patron** Terrie L. Suit

2. **Bill Number** HB 2444

3. **Committee** Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Rent Reductions Tax Credit

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would extend the sunset date of the Rent Reductions tax credit from December 31, 2005, to December 31, 2010. The bill would also limit the reduced rents that qualify for the credit between January 1, 2006, and January 1, 2011, to those charged by an individual or corporation that validly claimed the credit for a dwelling unit for all or part of December, 1999, and that rents the dwelling unit to the same tenant occupied such unit on December 31, 2005.

The effective date of this bill is not specified.

6. **No Fiscal Impact:** (See Line 8.)

7. **Budget amendment necessary:** None.

8. **Fiscal implications:**

The Department of Housing and Community Development administers the program and may not approve more than \$50,000 in credits in any fiscal year. Extension of existing tax credits is assumed in the budget bill. Therefore, passage of this bill would have no impact on General Fund revenues.

The Department would incur minimal costs to implement this bill.

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

Department of Housing and Community Development
Department of Taxation

10. **Technical amendment necessary:** No.

11. Other comments:

The tax credit for rent reductions is available to landlords engaged in the business of renting dwelling units and subject to the Virginia Residential Landlord and Tenant Act. If the landlord provides rent reductions to low-income elderly, disabled or previously homeless tenants and the rent charged is at least 15% less than market value, a credit equal to 50% of the rental reductions was allowed to the landlord. The rent reduction credit is only available to those landlords that earned the credit on rental units for all or part of December 1999.

This credit is set to sunset on December 31, 2005.

Proposed Change

This bill would extend the sunset of the rent reduction tax credit through December 31, 2011. Eligibility for the credit would be further limited to those landlords that earned the credit on rental units for all or part of December 1999 for rent reductions granted to tenants that occupied the dwelling unit on December 31, 2005.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 3/9/2005 AMS
HB2444FER161