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SENATE BILL NO. 276

Offered January 11, 2006

Prefiled January 10, 2006

A BILL to amend the Code of Virginia by adding sections numbered 58.1-320.1 and 58.1-400.01, relating to alternative income tax rate for the sale of certain real estate.

Patron—Whipple

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding sections numbered 58.1-320.1 and 58.1-400.01 as follows:

§ 58.1-320.1. Alternative tax rate on income resulting from the sale of certain real estate.

Notwithstanding the tax rates established in § 58.1-320, effective for taxable years beginning on and after January 1, 2007, a rate of 2.3% shall apply to the recognized gain resulting from the sale of an apartment building or apartment complex that has at least 20% of the units rented to persons whose income is determined to be less than 50% of the area median income, to the extent such gain is taken into account in computing taxable income, provided that the sale (i) is made to an organization composed of the existing tenants of the building or complex, or a majority of them, or to a nonprofit corporation qualified as a § 501(c)(3) organization under the Internal Revenue Code and (ii) includes a provision contractually binding the purchaser to preserve the occupancy level of building or complex or portion thereof to at least 20% of the units being rented to persons whose income is determined to be less than 50% of the area median income for a period of at least 15 years.

§ 58.1-400.01. Alternative tax rate on income resulting from the sale of certain real estate.

Notwithstanding the tax rate established in § 58.1-400, effective for taxable years beginning on and after January 1, 2007, a rate of 2.3% shall apply to the recognized gain resulting from the sale of an apartment building or apartment complex that has at least 20% of the units rented to persons whose income is determined to be less than 50% of the area median income, to the extent such gain is taken into account in computing taxable income, provided that the sale (i) is made to an organization composed of the existing tenants of the building or complex, or a majority of them, or to a nonprofit corporation qualified as a § 501(c)(3) organization under the Internal Revenue Code and (ii) includes a provision contractually binding the purchaser to preserve the occupancy level of building or complex or portion thereof to at least 20% of the units being rented to persons whose income is determined to be less than 50% of the area median income for a period of at least 15 years.

2. That the provisions of this act shall apply to gains from the sale of an apartment building or apartment complex made on or after January 1, 2007.