

**DEPARTMENT OF TAXATION  
2006 Fiscal Impact Statement**

1. **Patron** Jennifer L. McClellan

3. **Committee** House Finance

4. **Title** Rent Reductions Tax Credit

2. **Bill Number** HB 1568

**House of Origin:**

  X   **Introduced**

      **Substitute**

      **Engrossed**

**Second House:**

      **In Committee**

      **Substitute**

      **Enrolled**

**5. Summary/Purpose:**

This bill would remove the January 1, 2011 sunset date for the rent reductions tax credit. This bill also would allow the Virginia Housing Development Authority to approve an additional \$100,000 in credits, for a total of \$150,000 in credits, for rental fees that are reduced by 50% or more.

No effective date is specified for this bill.

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

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

**8. Fiscal implications:**

There is no General Fund revenue impact associated with this bill because existing statutory provisions would prevent the credit from being authorized for any new tenants. Therefore, this bill would have no impact on revenue until FY 2012.

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

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

Department of Taxation  
Virginia Housing Development Authority

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

**11. Other comments:**

Current Law

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. Beginning January 1, 2006, the rent reduction credit is only available 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.

This credit is set to sunset on January 1, 2011.

Proposal

This bill would remove the January 1, 2011 sunset date for the rent reductions tax credit. Although this bill also would authorize the Virginia Housing Development Authority to approve an additional \$100,000 in credits, for a total of \$150,000 in credits, existing statutory provisions would prevent the credit from being authorized for any new tenants. This bill would ensure that the existing tenants now receiving the benefit of the credit would continue for as long as they may occupy their rental units and ensure that the authorized maximum credit is sufficient to cover any inflationary rent increases that may occur during that period.

No effective date is specified for this bill.

cc : Secretary of Finance

Date: 02/09/2006 CHC  
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