

DEPARTMENT OF TAXATION

2006 Fiscal Impact Statement

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| <p>1. Patron Leo C. Wardrup, Jr.</p> <p>3. Committee House Appropriations</p> <p>4. Title Recordation Tax: Dedicated for Transportation</p> | <p style="text-align: right;">REVISED</p> <p>2. Bill Number <u>HB 659</u></p> <p>House of Origin:</p> <p><u> X </u> Introduced</p> <p><u> </u> Substitute</p> <p><u> </u> Engrossed</p>
<p>Second House:</p> <p><u> </u> In Committee</p> <p><u> </u> Substitute</p> <p><u> </u> Enrolled</p> |
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5. Summary/Purpose:

This bill would dedicate recordation tax revenues not already dedicated to the Commonwealth Transportation Board. The funds would be used for transportation projects in localities throughout the Commonwealth and would be distributed on a pro rata basis pursuant to the amount of the recordation tax collected in each locality.

This bill would be effective July 1, 2006.

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

Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2006-07	(\$565.8 million) \$565.8 million	GF - unrestricted NGF
2007-08	(\$571.7 million) \$571.7 million	GF - unrestricted NGF
2008-09	(\$591.3million) \$591.3 million	GF - unrestricted NGF
2009-10	(\$591.3 million) \$591.3 million	GF - unrestricted NGF
2010-11	(\$591.3 million) \$591.3 million	GF - unrestricted NGF
2011-12	(\$591.3 million) \$591.3 million	GF - unrestricted NGF

7. Budget amendment necessary: Yes.

Page 1, Revenue Estimates

New Item to appropriate revenue to the Commonwealth Transportation Projects Fund

8. Fiscal implications:

Under this legislative proposal, the estimated transfers of recordation tax revenue to the Commonwealth Transportation Board are \$565.8 million in FY 2007, \$571.7 million in FY 2008, and \$591.3 million in FY 2009 and beyond. To implement this transfer, a reduction of an equal amount of general fund support from other areas in the introduced budget will be required. Given the magnitude of funding involved, funding would need to be transferred from areas with significant general fund support.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Appointed by the Governor, the 17-member Commonwealth Transportation Board (CTB) establishes the administrative policies for Virginia's transportation system. The CTB allocates highway funding to specific projects, locates routes and provides funding for airports, seaports and public transportation.

Proposal

This bill would dedicate recordation tax revenues, not already dedicated to the U.S. Route 58 Corridor Development Fund or to cities and counties, to the Commonwealth Transportation Board. The funds would be deposited in a newly-created, nonreverting fund called the Commonwealth Transportation Projects Fund and used for transportation projects in localities throughout the Commonwealth. Funds would be distributed on a pro rata basis pursuant to the amount of the recordation tax collected in each locality.

Funds distributed pursuant to this bill would not be used to calculate or reduce funds otherwise available to localities.

This bill would be effective July 1, 2006.

Other Legislation

HB 67 would earmark 50% of state recordation tax revenue to each county or city that has, or intends to have, a Purchase of Development Rights Program.

HB 92 and **SB 277** would earmark \$0.02 per \$100 of the state recordation tax (equivalent to 8% of revenue) to the Virginia Housing Partnership Revolving Fund (renamed Virginia Housing Trust Fund).

HB 166 would earmark \$250 million of state recordation tax revenue to the Virginia Defense Facility and Transportation Improvement Fund and Program for transportation infrastructure improvements in certain highway construction districts in which federal defense facilities or bases are expanded as the result of actions of the Base Realignment and Closure Commission.

HB 410 would earmark all state recordation tax revenues, after existing earmarks of \$80 million, to the Commonwealth Transportation Board for use throughout the Commonwealth for (i) projects that will reduce poor air quality, (ii) projects that will reduce traffic congestion, and (iii) projects that will enhance the safety of motorists or pedestrians.

HB 485 would reduce the recordation tax rates to the levels that existed prior to the increase imposed in 2004.

HB 1436 would earmark recordation tax revenues generated as a result of the rate increase imposed in 2004 to the Transportation Trust Fund.

SB 413 would earmark \$100 million of recordation tax revenue to the Virginia Water Quality Improvement Fund.

cc : Secretary of Finance

Date: 01/26/2006 CHC
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