

# DEPARTMENT OF TAXATION

## 2006 Fiscal Impact Statement

1. **Patron** Mary Margaret Whipple

2. **Bill Number** SB 276

3. **Committee** House Finance

**House of Origin:**

☐ Introduced

☐ Substitute

☐ Engrossed

4. **Title** Individual Income Tax: Alternative Tax Rate  
On Income from Certain Sales of Real  
Estate

**Second House:**

☒ In Committee

☐ Substitute

☐ Enrolled

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

This bill would provide for the imposition of a 2.3% tax rate on the taxable proceeds from a sale of an apartment building or complex to its tenant organization or to a nonprofit organization, if the building or complex has at least 20% of the units rented to persons whose income is determined to be less than 50% of the area median income, and the sale includes a contractual provision binding the purchaser to preserve the occupancy level of the building or complex 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.

This bill would be effective for sales occurring on and after January 1, 2007.

6. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

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

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

The General Fund revenue impact of this bill is unknown. There is not sufficient data on gains from the sale of apartment buildings and complexes to their tenants or nonprofit organizations to determine the impact of the bill.

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

**10. Technical amendment necessary:** None.

**11. Other comments:**

**Proposal**

This bill would create a new individual and corporate tax rate of 2.3% to apply to a gain resulting from the sale of an apartment building or complex that has rented at least 20% of the units to residents whose income is less than 50% of the area median income, so long as the sale is made to an organization composed of the existing tenants of the building or complex, or a majority of them, or to a charitable organization under the Internal Revenue Code and includes a contractually binding provision to preserve the occupancy level of the 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.

cc : Secretary of Finance

Date: 02/16/2006 PTR  
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