

DEPARTMENT OF TAXATION

2006 Fiscal Impact Statement

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| <p>1. Patron Mary Margaret Whipple</p> <p>3. Committee Senate General Laws</p> <p>4. Title Virginia Housing Partnership Trust Fund:
Deposit of Recordation Tax Revenues into
Fund</p> | <p style="text-align: right;">REVISED</p> <p>2. Bill Number <u>SB 277</u></p> <p>House of Origin:
 <input checked="" type="checkbox"/> Introduced
 <input type="checkbox"/> Substitute
 <input type="checkbox"/> Engrossed</p> <p>Second House:

 <input type="checkbox"/> In Committee
 <input type="checkbox"/> Substitute
 <input type="checkbox"/> Enrolled</p> |
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5. Summary/Purpose:

This bill would change the name of the Virginia Housing Partnership Trust Fund to the Virginia Housing Trust Fund and provide for \$0.02 of the recordation tax on every \$100 to be transferred to the Fund by September 1, following any fiscal year when total recordation tax collections exceed \$200 million. The bill also would provide that a portion of the fund would be used to provide matching funds to localities that have both established a local housing fund and appropriated local moneys to the fund. Under the bill, the Department of Housing and Community Development would be required to establish criteria for the allocation of the matching funds to eligible localities and to annually report on the allocation of matching funds. In addition, the bill would authorize grants to be made from the Fund to support innovative housing projects and low- and moderate-income housing projects that are located in areas experiencing extreme shortages of such housing.

No effective date is specified for this bill.

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

Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2006-07	(\$51.7 million) \$51.7 million	GF - unrestricted NGF
2007-08	(\$52.1 million) \$52.1 million	GF - unrestricted NGF
2008-09	(\$53.7 million) \$53.7 million	GF - unrestricted NGF
2009-10	(\$53.7 million) \$53.7 million	GF - unrestricted NGF

2010-11	(\$53.7 million) \$53.7 million	GF - unrestricted NGF
2011-12	(\$53.7 million) \$53.7 million	GF - unrestricted NGF

7. Budget amendment necessary: Yes.

Page 1, Revenue Estimates

ITEM 103, Housing Assistance Services

8. Fiscal implications:

Under this legislative proposal, the estimated transfer of recordation tax revenue to the Virginia Housing Partnership Fund are \$51.7 million in FY 2007, \$52.1 million in FY 2008, and \$53.7 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

Department of Housing and Community Development

10. Technical amendment necessary: Yes.

Currently the Department does not capture the taxable measure on which the recordation taxes are based. The rates vary from the normal 25 cents per \$100. See, for example, the graduated rates on large deeds of trust in § 58.1-803. In order to avoid a costly process to capture the base information, the Department recommends changing the allocation to a simple percent of revenue.

Page 8, Line 448 at the beginning of the line

Strike: revenue

Insert: taxes

Page 8, Line 450, after equal to

Strike: \$0.02 of the tax on every \$100, or fraction thereof, imposed

Insert: 8% of the revenue received from such tax.

11. Other comments:

Current Law

Given the shortage of affordable housing in many localities, Virginia encourages development of affordable housing by offering deferral programs and tax credits for rehabilitation. To encourage municipalities to provide more affordable housing, the Code permits them to amend zoning ordinances for affordable housing unit programs. Additionally, Virginia sets aside a permanent fund called the "Virginia Housing Partnership

Revolving Fund" which addresses the shortage of affordable housing in the state and funds housing developments and housing projects. The Fund is administered by the Virginia Housing Development Authority.

Proposal

This bill would change the name of the Virginia Housing Partnership Trust Fund to the Virginia Housing Trust Fund. The Virginia Housing Trust Fund would provide grants and other funding to "incentivize" affordable homeownership and rental housing in every area of the Commonwealth. The Fund would promote mixed income communities and workforce housing.

This bill would provide \$0.02 per \$100 of the recordation tax collected be transferred to the Fund. Allocations to the Fund would occur only when the total recordation tax collected exceeds \$200 million for that year.

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 is identical to this bill.

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 659 would earmark recordation tax revenues not already dedicated to the Commonwealth Transportation Board for transportation projects in localities throughout the Commonwealth on a pro rata basis pursuant to the amount of recordation tax collected in each locality.

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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