

**DEPARTMENT OF TAXATION
2006 Fiscal Impact Statement**

REVISED

1. **Patron** Emmett W. Hanger, Jr.
3. **Committee** Senate Finance
4. **Title** Recordation Taxes: Transfer to Virginia
Water Quality Improvement Fund

2. **Bill Number** SB 413
- House of Origin:**
 Introduced
 Substitute
 Engrossed
- Second House:**
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would provide that \$100 million of recordation taxes collected each year be transferred to the Virginia Water Quality Improvement Fund. The Comptroller would be required to credit the \$100 million to the Fund after allocations are made for the \$40 million deposit to the U.S. Route 58 Corridor Development Fund and the \$40 million distribution to counties and cities, as currently required under law.

The effective date of this bill would be 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	(\$100.0 million) \$100.0 million	GF - unrestricted NGF
2007-08	(\$100.0 million) \$100.0 million	GF - unrestricted NGF
2008-09	(\$100.0 million) \$100.0 million	GF - unrestricted NGF
2009-10	(\$100.0 million) \$100.0 million	GF - unrestricted NGF
2010-11	(\$100.0 million) \$100.0 million	GF - unrestricted NGF
2011-12	(\$100.0 million) \$100.0 million	GF - unrestricted NGF

7. Budget amendment necessary: Yes.

Page 1, Revenue Estimates

ITEM 358, Land and Resource Management

ITEM 364, Water Quality Improvement Fund

8. Fiscal implications:

Under this legislative proposal, the estimated transfers of recordation tax revenue to the Water Quality Improvement Fund are \$100 million in FY 2006 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 Conservation and Recreation

Department of Environmental Quality

10. Technical amendment necessary: No.

11. Other comments:

This bill would require that \$100 million of all recordation taxes collected be transferred to the Virginia Water Quality Improvement Fund.

The \$100 million distribution would only be made after the \$40 million distribution to the U.S. Route 58 Corridor Development Fund and the \$40 million distribution to the counties and cities.

The Virginia Water Quality Improvement Fund was established to provide Water Quality Improvement Grants to local governments, soil and water conservation districts, institutions of higher learning institutions of higher education and individuals for point and nonpoint source pollution prevention, reduction and control programs.

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 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.

cc : Secretary of Finance

Date: 01/26/2006 CHC
SB413F161.doc