

DEPARTMENT OF TAXATION

2006 Fiscal Impact Statement

1. **Patron** Jeffrey M. Frederick

3. **Committee** House Finance

4. **Title** Recordation Tax: Reduction of Rates

2. **Bill Number** HB 485

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would reduce the recordation tax rates to the levels that existed prior to the increase imposed by Chapter 3 of the Acts of Assembly of 2004, Special Session I.

No effective date is specified for this bill. The effective date is assumed to be July 1, 2006.

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

6b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2005-06	\$0	GF
2006-07	(\$234.0 million)	GF
2007-08	(\$236.4 million)	GF
2008-09	(\$244.4 million)	GF
2009-10	(\$244.4 million)	GF
2010-11	(\$244.4 million)	GF
2011-12	(\$244.4 million)	GF

7. **Budget amendment necessary:** Yes.

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8. **Fiscal implications:**

This bill would result in revenue losses of \$234.0 million for FY 2006-07, \$236.4 million for FY 2007-08, and \$244.4 million for FYs 2008-09, 2009-10, 2010-11 and 2011-12. In general, this bill reduces the recordation tax rate by \$0.10 per \$100 of value, which for most transactions reduces the rate from \$0.25 to \$0.15 per \$100 of value.

The above revenue estimates are limited in that not all transactions subject to recordation tax are taxed at the same rate. For example, recordation taxes on deeds of trust or mortgages are taxed at a graduated rate, while recordation of certain other transactions are taxed at a flat rate. It is not possible to distinguish the different types of transactions for purposes of this estimate due to data limitations.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Current Law

The 2004 Special Session I of the Virginia General Assembly increased the recordation tax of the following:

- Every deed admitted to record from a rate of 15¢ per \$100 to a rate of 25 cents on every \$100 of the greater of the consideration paid or the value of the property;
- Deeds of trust or mortgages from a rate of 15¢ per \$100 to a rate of 25 cents on every \$100 of the amount of bonds or other obligations secured;
- Contracts or leases from a rate of 15¢ per \$100 to a rate of 25 cents on every \$100 of the consideration or value contracted for; and
- Contracts or agreements relating to the sale of rolling stock or equipment from a rate of 15¢ per \$100 to a rate of 25 cents on every \$100 of the consideration or value contracted for.

Proposal

This bill would reduce the recordation tax rates to the levels that existed prior to the increase imposed by Chapter 3 of the Acts of Assembly of 2004, Special Session I.

No effective date is specified for this bill. The effective date is assumed to be 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 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: 01/23/2006 CHC
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