

DEPARTMENT OF TAXATION

2008 Fiscal Impact Statement

1. **Patron** David J. Toscano

3. **Committee** House Finance

4. **Title** Recordation tax exemption for affordable housing expanded.

2. **Bill Number** HB 77

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would expand the existing recordation tax exemption for conveyances of affordable housing to all localities in the state. Currently the exemption applies only in Amherst County and the City of Lynchburg.

This bill would be effective July 1, 2008.

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

6b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2007-08	\$0	GF
2008-09	(\$27,600)	GF
2009-10	(\$27,600)	GF
2010-11	(\$27,600)	GF
2011-12	(\$27,600)	GF
2012-13	(\$27,600)	GF
2013-14	(\$27,600)	GF

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

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8. **Fiscal implications:**

Administrative Costs

There would be no administrative costs to TAX to implement this bill, as the recordation tax is collected by the clerks of the local Circuit Courts. The cost for the local courts to implement this bill is unknown.

Revenue Impact

When the original exemptions were enacted in 1999 (Amherst) and 2000 (Lynchburg) it appeared that Habitat for Humanity was the only qualifying organization in each locality, and that their volume was small. The average value of a Habitat for Humanity home in Virginia is \$120,000 and, on average, it sells for \$85,000. Virginia Habitat for Humanity affiliates have built approximately one hundred homes per year over the last four years. The Lynchburg affiliate, which is currently exempt, builds between eight and ten homes per year.

The recordation tax would be applied to the value of the home, since it is greater than the consideration. Thus, the recordation tax paid on a Habitat home would average \$300 per home. If ninety-two homes that are currently not exempt are built in a year, the total impact would be a revenue loss of \$27,600 per year.

Beginning in FY 2009, \$0.02 per \$100 of value of recordation taxes collected are to be deposited into the Transportation Trust Fund and \$0.01 per \$100 is to go to the highway operating fund. Therefore, the revenue impact would be spread between these funds and the General Fund. The distribution of the impact would be a loss of \$24,288 to the General Fund, a loss of \$2,208 per year to the Transportation Trust Fund, and a loss of \$1,104 per year to the nongeneral fund.

9. Specific agency or political subdivisions affected:

Department of Taxation
Clerks of the Circuit Courts
All Cities and Counties

10. Technical amendment necessary: No.

11. Other comments:

This bill would exempt from the recordation tax deeds and deeds of trust recorded in connection with the efforts of Habitat for Humanity and similar charitable organizations in Virginia that build low-cost housing for people who could not otherwise afford a house.

This bill would be effective July 1, 2008.

Similar Legislation

House Bill 76, House Bill 1394, and Senate Bill 551 would require the recordation tax on deeds to be based solely upon stated consideration, even when it is less than the actual value of the real estate conveyed by the deed.

House Bill 197 This bill would expand the current recordation tax exemption for refinancing done with the same lender to include refinancing or modification of an existing debt with a lender different than the original lender of the debt. This bill would also provide that any person who refinanced a debt with a lender different from the lender of the original debt between January 1, 2007, and June 30, 2008, and paid a state recordation

tax on the total principal amount of the new debt could apply to the Department of Taxation for a refund on the portion of the recordation tax that relates to the amount of the original debt.

cc : Secretary of Finance

Date: 1/19/2008 JPJ
HB77F161