

Department of Planning and Budget 2010 Fiscal Impact Statement

1. Bill Number: HB764

House of Origin ☐ Introduced ☐ Substitute ☒ Engrossed
 Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: McClellan

3. Committee: House Finance

4. Title: **Income tax credits; landlords participating in housing choice voucher programs.**

- 5. Summary:** Establishes a new tax credit for landlords who participate in a housing choice voucher program for tax years beginning on or after January 1, 2010. A landlord who participates in the program would receive a tax credit equal to 10 percent of the fair market value of the rent for each qualified housing unit. Qualified housing units would be dwelling units located in the Richmond Metropolitan Statistical Area in which 10 percent of the residents live below the poverty level for which a portion of the rent is paid by a housing authority, pursuant to a housing choice voucher program.

The Department of Housing and Community Development (DHCD) would promulgate regulations for, and administer, the tax credits for landlords participating in housing choice voucher programs. Tax credits would be allowed only for that portion of the taxable year in which a dwelling unit was included in a housing choice voucher program. The bill provides a five-year carryforward period for unused tax credits. The Department would not be allowed to issue more than \$450,000 in tax credits in any fiscal year. In the event the amount of the requests exceeds \$450,000, DHCD would pro-rate the tax credits among the qualified applicants.

Additionally, the bill appropriates \$50,000 in FY 2011 and \$50,000 in FY 2012 to implement the provisions of the bill

The bill prohibits any taxpayer from claiming the new tax credit for participating landlords and the rent reductions tax credit in the same taxable year.

6. Fiscal impact estimates are preliminary. See item 8, below.

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2010	0	0	-
2011	50,000	1.0	GF
2012	50,000	1.0	GF
2013	50,000	1.0	GF
2014	50,000	1.0	GF
2015	50,000	1.0	GF

2016	50,000	1.0	GF
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6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2010	0	-
2011	50,000	GF
2012	50,000	GF
2013	50,000	GF
2014	50,000	GF
2015	50,000	GF
2016	50,000	GF

7. Budget Amendment Necessary: Yes.

- 8. Fiscal Implications:** The bill would result in a revenue increase and an expenditure increase, as \$50,000 less in each year would be issued under the new tax credit for participating landlords than are currently issued under the low-income housing credit and DHCD estimates it will require \$50,000 in each year to implement the provisions of the proposed legislation.

The Department of Housing and Community Development maintains that this legislation would require the department to incur a number of additional administrative tasks to ensure that the credits are properly allocated to eligible recipients. Administrative requirements are very minimal for the current state low-income housing tax credit. The primary qualification for this state tax credit is participation in the federal low-income housing tax credit program, which is administered by the Virginia Housing Development Authority (VHDA). Receipt of the federal low-income housing tax credit serves as prima facie evidence that the applicant qualifies for the state tax credit. Certificates are issued based on such confirmation from VHDA. This means that the state tax credit program's administrative requirements are very limited. The administrative requirements for the proposed tax credit for participating landlords are more involved and complex, as DHCD will be required to determine the fair market value of the rent for the qualified housing unit.

It is not anticipated that the bill will have a fiscal impact on the Department of Taxation. Any impact will depend on the total number of bills the General Assembly enacts that require modifications to the department's taxpayer system.

Although the bill appropriates funds for the additional expenditures DHCD is expected to incur in implementing the provisions of the bill, it does so by creating an appropriation that is outside of the general appropriation act. Consequently, an amendment is necessary to Page 1 of HB/SB30 to reflect the allocation of these funds and its impact on funds available for appropriation during the 2010-2012 biennium. It is not customary to appropriate funds to a state agency outside of the general appropriation act.

- 9. Specific Agency or Political Subdivisions Affected:** Departments of Taxation and Housing and Community Development, and the State Corporation Commission

10. Technical Amendment Necessary: Yes. Based on the amendments posted on the Legislative Information System, a technical amendment is necessary to strike \$100,000 on line 44.

11. Other Comments: SB458 also a new tax credit for landlords who participate in a housing choice voucher program for tax years beginning on or after January 1, 2010.

Date: 2/16/2010 tmw

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