

## Department of Planning and Budget 2010 Fiscal Impact Statement

**1. Bill Number:** SB458

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

**2. Patron:** McEachin

**3. Committee:** Passed Both Houses

**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.

Also, DHCD would not approve any low-income housing credits after June 30, 2010. Currently, DHCD administers the low-income housing credit. DHCD can not approve more than \$500,000 in tax credits in any calendar year.

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.

Additionally, the second enactment of the bill provides that the proposed legislation will not become effective unless funding is included in the general Appropriation Act to implement the provisions of the bill.

**6. Fiscal impact estimates are final.** 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	0	GF
2012	50,000	0	GF
2013	50,000	0	GF
2014	50,000	0	GF
2015	50,000	0	GF
2016	50,000	0	GF

**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:** No.

- 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 credits 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.

DHCD 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. The department estimates that, given the parameters of the new activities, the implementation of this bill could be accomplished with a part-time employee and \$50,000 in each year. 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.

The conferees provided \$50,000 in FY2011 and \$50,000 in FY 2012, and one position, for the implementation of this bill and HB764, which also 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.

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

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** None.

**Date:** 3/30/2010 tmw

**Document:** G:\2010 Session\Legislation\SB458ER.Doc