

DEPARTMENT OF TAXATION

2011 Fiscal Impact Statement

1. **Patron** Harry R. Purkey

3. **Committee** House Finance

4. **Title** Income Tax: Rent Reductions Tax Credit

2. **Bill Number** HB 1875

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would extend the sunset date of the Rent Reductions Tax Credit from taxable years beginning on or before December 31, 2010, to taxable years beginning on or before December 31, 2015.

The effective date of this bill is not specified.

6. Budget amendment necessary: No.

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

8. Fiscal implications:

Administrative Costs

TAX considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

The Department of Housing and Community Development administers the program and may not approve more than \$50,000 in credits in any fiscal year. Extension of existing tax credits is assumed in the revenue forecast. Therefore, passage of this bill would have no impact on General Fund revenues.

9. Specific agency or political subdivisions affected:

Department of Housing and Community Development
Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

The tax credit for rent reductions is available to landlords engaged in the business of renting dwelling units and subject to the Virginia Residential Landlord and Tenant Act. If the landlord provides rent reductions to low-income elderly, disabled or previously homeless tenants and the rent charged is at least 15% less than market value, a credit equal to 50% of the rental reductions is allowed to the landlord. The rent reduction credit is only available to those landlords that earned the credit on rental units for all or part of December 1999, and that rented the dwelling unit to the same tenant that occupied such unit on December 31, 2005.

This credit is set to sunset on December 31, 2010.

Proposed Change

Under this bill would the sunset of the rent reduction tax credit would be extended through taxable years ending December 31, 2015.

The bill would not extend limitations on landlords enacted with past extensions. The restrictions limiting the credit to landlords that earned the credit on rental units for all or part of December 1999 and that provided rent reductions to the same tenants occupying the dwelling unit on December 31, 2005, would be allowed to expire, opening up the credit to additional landlords.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/16/2011 dtm
HB1875F161