

Department of Planning and Budget 2012 Fiscal Impact Statement

1. Bill Number: HB558

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Marshall, D.W.

3. Committee: General Laws

4. Title: Virginia Housing Development Authority; mortgage credit certificates.

5. Summary: This bill amends provisions governing Virginia's allocation of private activity bonds to authorize the Virginia Housing Development Authority (VHDA) to use its allocation for the issuance of mortgage credit certificates. The bill contains an emergency clause.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Preliminary.

8. Fiscal Implications: This bill would allow VHDA to convert its state allocation for private activity bonds (tax exempt bonds issued for private business uses or for loans to nongovernmental persons) to mortgage credit certificates (entitle a homebuyer to a federal tax credit for a portion of the interest on their loan). This bill does not create additional debt or spending obligations for the state, but rather repurposes current limits for the most effective use.

Federal tax law limits the dollar amount of tax exempt private activity bonds that Virginia can issue in any year; the Code of Virginia allocates the state's federal bond ceiling among VHDA, local housing authorities, industrial development authorities, and the Governor. VHDA is currently only authorized to use its allocation for single family and multi-family bonds. However, according to VHDA, the current market for single family tax exempt bonds does not allow for the issuance of bonds at rates that will produce feasible mortgage rates. If the tax-exempt bond market does not improve, VHDA will need the option of using its allocation to issue mortgage credit certificates; an option permitted by federal tax law but not by the Code of Virginia. Accordingly, this bill amends the Code provisions governing the allocation of the federal cap to state that VHDA may use its allocations for the issuance of mortgage credit certificates.

This bill presents no fiscal impact to the state as, according to § 36-55.27, Code of Virginia, VHDA is a political subdivision of the Commonwealth of Virginia.

9. Specific Agency or Political Subdivisions Affected: Virginia Housing Development Authority.

10. Technical Amendment Necessary: No.

11. Other Comments: The Department of Housing and Community Development (DHCD) administers the state's federal bond ceiling, but this bill should not impact DHCD's administration efforts.

Date: 1/12/2012