

**DEPARTMENT OF TAXATION
2013 Fiscal Impact Statement**

1. **Patron** Robert D. Orrock, Sr.

3. **Committee** House Finance

4. **Title** Local recordation tax

2. **Bill Number** HB 1566

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:** This bill would authorize localities to impose an additional recordation tax at a rate equal to one-tenth of the state recordation rate, if the tax is approved by referendum. The revenue from the tax would have to be used solely to provide affordable shelter. The effective date is not specified.

6. **Budget amendment necessary:** No.

7. **No Fiscal Impact.** (See Line 8.)

8. **Fiscal implications:**

This bill would have no impact on state revenue. To the extent that a locality seeks a referendum on the local recordation tax, and it passes, the locality would receive additional revenue from the tax.

9. **Specific agency or political subdivisions affected:** Local governments

10. **Technical amendment necessary:** No.

11. **Other comments:**

Current Law

When deeds, deeds of trust, leases and contracts related to real estate are recorded in the clerk's office of the Circuit Court, the clerk collects a state recordation tax that is measured by the value associated with the document, for example, the contract purchase price for a deed. The clerk also collects a local recordation tax equal to one-third of the state tax. The clerk also collects some other taxes and fees, or a state recordation tax equal to a flat 50 cents, but the local recordation tax is not calculated on these taxes and fees.

When a deed or other recordable document relates to real estate in more than one Virginia locality, it must be recorded in each locality. The clerk in the locality where it is first recorded collects the full amount of the state recordation tax, but the local recordation

tax is based only on the property located in that locality. When subsequently recorded in other localities, the clerks do not collect any state recordation tax, but collect the local tax based on the property in each locality.

Existing law allows localities to adopt regulatory and zoning policies that encourage the building of affordable dwelling units.

Proposal

This bill would authorize an additional local recordation tax equal to one-tenth of the state tax if the voters in that locality have approved the imposition of the additional local recordation tax in a referendum. The additional local recordation tax would be equal one-tenth of the state recordation tax.

The proceeds from the additional local recordation tax must be used to provide affordable housing, such as by funding economic incentives to encourage the building of affordable dwelling units or by funding the purchase of such units by local government housing authorities.

cc : Secretary of Finance

Date: 1/7/2013 JPJ
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