

DEPARTMENT OF TAXATION

2017 Fiscal Impact Statement

1. **Patron** James W. Morefield

2. **Bill Number** HB 2312

3. **Committee** House Counties, Cities and Towns

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Industrial Development Authorities; Loans to Localities

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would authorize industrial development authorities to make loans to a locality for the purpose of enabling the locality to reduce the rate of local taxes in order to promote economic development, expand the tax base, and increase local tax revenues. Any locality receiving such loan would be required to use the funds solely for the purpose of offsetting lost revenue due to reduced tax rates.

Under current law, localities are authorized to impose taxes on a number of items, including: real estate, tangible personal property, machinery and tools, merchants' capital, admissions, and transient occupancy. Localities also are authorized to impose recordation taxes, consumer utility taxes, and Business, Professional, and Occupational License ("BPOL") taxes.

The effective date of this bill 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 or local revenues.

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

All localities

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

11. Other comments:

Industrial Development Authorities

Industrial development authorities are political subdivisions of the Commonwealth created by ordinances enacted by the governing body of a locality. Industrial development authorities are created for the purpose of: i) inducing manufacturing, industrial, governmental, nonprofit and commercial enterprises and institutions of higher education to locate in or remain in the Commonwealth; ii) controlling or abating environmental pollution derived from the operation of any industrial or medical facility; and iii) assisting in the acquisition, construction, equipping, expansion, enlargement and improvement of facilities for use by certain nonprofit organizations.

Under current law, industrial development authorities may issue bond to provide long-term financing of any pollution control facility and make loans or grants for the purposes of promoting economic development, provided that such loans or grants are made only from revenues of the authority which have not been pledged or assigned for the payment of any of the authority's bonds. However, the governing body may limit the type and number of facilities that the authority may otherwise finance in the ordinance creating the authority. An authority may also be permitted to forgive loans or other obligations if it is deemed to further economic development.

Proposal

This bill would authorize industrial development authorities to make loans to a locality for the purpose of enabling the locality to reduce the rate of local taxes in order to promote economic development, expand the tax base, and increase local tax revenues. Any locality receiving such loan would be required to use the funds solely for the purpose of offsetting lost revenue due to reduced tax rates.

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cc : Secretary of Finance

Date: 1/23/2017 AM
DLAS File Name: HB2312F161