

**DEPARTMENT OF TAXATION  
2018 Fiscal Impact Statement**

1. **Patron** Frank W. Wagner

2. **Bill Number** SB 894

3. **Committee** Senate Finance

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Virginia Energy Efficiency Revolving Fund;  
Recordation Tax

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

5. **Summary/Purpose:**

This bill would create the Virginia Energy Efficiency Revolving Fund to provide no-interest loans to any locality, school division, or public institution of higher education for energy conservation or efficiency projects, funded by 40 percent of the annual revenue over \$325 million of certain state recordation taxes and other funds given to the Fund. The transfer would not apply to recordation tax revenues generated by the open-space preservation fee or the regional congestion relief fee.

Under current law, the first \$40 million of the state recordation tax is dedicated to the U.S. Route 58 Corridor Development Fund and another \$40 million of the state recordation tax is apportioned and distributed back to each county and city, subject to certain transfers. Additionally, out of the total state recordation tax collected, \$0.02 per \$100 of value are deposited into the Commonwealth Mass Transit Fund and \$0.01 per \$100 of value is deposited into the Commonwealth Transit Capital Fund. The remaining revenues are dedicated to the General Fund.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** Yes.

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New Item, Virginia Energy Efficiency Revolving Fund

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

**7b. Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2017-18	\$0	GF
	\$0	VEERF
2018-19	(\$11.8 million)	GF
	\$11.8 million	VEERF
2019-20	(\$11.8 million)	GF
	\$11.8 million	VEERF
2020-21	(\$11.8 million)	GF
	\$11.8 million	VEERF
2021-22	(\$11.8 million)	GF
	\$11.8 million	VEERF
2022-23	(\$11.8 million)	GF
	\$11.8 million	VEERF
2023-24	(\$11.8 million)	GF
	\$11.8 million	VEERF

**8. Fiscal implications:**

Administrative Costs

There would be no administrative costs to the Department of Taxation to implement this bill.

Revenue Impact

Based on the Official Forecast, twenty percent of the revenues generated by the state recordation tax deposited in the state treasury in excess of \$325 million is estimated to be \$5.9 million for Fiscal Year 2018 and thereafter. The bill would require the revenues to be transferred no later than September 1 in the immediately following fiscal year that the revenues exceeded \$325 million. Assuming that this would require the first transfer to occur on September 1, 2018, based on Fiscal Year 2018 revenue, this bill is estimated to result in transfers from the General Fund to the Virginia Energy Efficiency Revolving Fund of \$11.8 million annually beginning in Fiscal Year 2019. This would decrease the amount of General Fund revenues available for appropriation by \$11.8 million annually beginning in Fiscal Year 2019.

These revenue estimates are based on the recordation tax revenue remaining after statutorily mandated transfers to the Transportation Trust Fund. A technical amendment is suggested to clarify that this is the intended result.

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

Virginia Energy Efficiency Revolving Fund  
Virginia Resource Authority

**10. Technical amendment necessary: Yes.**

Preliminary analysis indicates that this legislation may impact the transportation funding restrictions put in place by Enactment 22, Chapter 896, 2007 *Acts of Assembly*. If the bill does not violate these restrictions, it is in conflict with *Va. Code* § 58.1-815.4, which requires that three cents of the total recordation tax revenues collected from deeds generally (*Va. Code* § 58.1-801) and deeds of trust or mortgages (*Va. Code* § 58.1-803) be deposited into the Commonwealth Mass Transit Fund and the Commonwealth Transit Capital Fund. This bill requires total revenues generated by recordation taxes, including those imposed by *Va. Code* §§ 58.1-801 and 58.1-803, to be used in the calculation for the transfer to the Virginia Energy Efficiency Revolving Fund. Since both the bill and the existing statute depend on an amount of “total revenues”, it is not clear which requirement would take precedent. It is suggested that this bill be amended to clarify that the excess upon which the calculations are based is after transfers to the Transportation Trust Fund.

The Virginia Resource Authority (“VRA”) provides financial management for several state revolving loan funds. Each revolving loan fund is assigned to a state agency and those agencies provide subject matter expertise on the various programs and projects. VRA would suggest the Department of Mines, Minerals, and Energy as the agency to provide expertise on this subject. In addition, each of the existing revolving funds include payment to VRA for costs incurred in its financial management of the fund. This is necessary because VRA receives no state funds and operates from revenue that it is required to generate to support its programs and services.

**11. Other comments:**

Current Law

Under Virginia law, a deed is effective between the parties when the grantor delivers it to the grantee. Virginia offers a recordation system in each circuit court to record deeds and has enacted laws providing certain protections for buyers and lenders who rely on the information recorded in the circuit courts. Accordingly, Virginia imposes a tax for the privilege of using the recordation system to record deeds. An additional recordation tax may be imposed by cities and counties in an amount equal to one-third of the state tax.

The first \$40 million of the state recordation tax is dedicated to the U.S. Route 58 Corridor Development Fund and another \$40 million of the state recordation tax is apportioned and distributed back to each county and city, subject to certain transfers. Additionally, out of the total state recordation tax collected, \$0.02 per \$100 of value are deposited into the Commonwealth Mass Transit Fund and \$0.01 per \$100 of value is deposited into the Commonwealth Transit Capital Fund. The remaining revenues are dedicated to the General Fund.

Proposal

This bill would create the Virginia Energy Efficiency Revolving Fund to provide no-interest loans to any locality, school division, or public institution of higher education for energy conservation or efficiency projects, funded by 40 percent of the annual revenue over \$325 million of certain state recordation taxes and other funds given to the Fund. The transfer

would not apply to recordation tax revenues generated by the open-space preservation fee or the regional congestion relief fee.

The Fund created by this bill would make interest-free loans to local governments or other entities to finance any energy conservation measure and facility technology infrastructure. The total projected energy efficiency savings over the life of the project must exceed its cost. Loan payments would approximate 75% of the annual estimated energy-related savings, and the loan must be fully paid within the lesser of 10 years or 80% of the life of the project.

The effective date of this bill is not specified.

#### Similar Legislation

**House Bill 560** is identical.

**House Bill 288** would provide an exemption from the recordation tax for deeds between certain limited liability companies and partnerships.

**House Bill 948** would require that 20% of recordation tax revenue in excess of \$325 million for the preceding fiscal year be deposited to the Virginia Housing Trust Fund.

**House Bill 1319** and **Senate Bill 856** would increase the regional congestion relief fee imposed in certain planning districts from 15¢ to 25¢ per \$100 and redirects the revenues from 1¢ per \$100 of the total recordation taxes to the Commonwealth Mass Transit Fund from the Commonwealth Capital Fund.

**House Bill 1545** would dedicate 15% of the state recordation tax revenue to the Metrorail Capital Expenditures Fund.

**Senate Bill 31** would dedicate the first \$40 million of state tax revenue to the Interstate Corridor Development Fund.

cc : Secretary of Finance

Date: 1/26/2018 JPJ  
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