

**DEPARTMENT OF TAXATION  
2023 Fiscal Impact Statement**

1. **Patron** Rodney T. Willett
3. **Committee** House Finance
4. **Title** Expansion of the Communities of Opportunity Tax Credit

2. **Bill Number** HB 1771  
**House of Origin:**  
 **Introduced**  
 **Substitute**  
 **Engrossed**
- Second House:**  
 **In Committee**  
 **Substitute**  
 **Enrolled**

**5. Summary/Purpose:**

This bill would increase the maximum amount of tax credits that may be issued under the Communities of Opportunity Tax Credit, from \$250,000 to \$1 million each fiscal year beginning in Fiscal Year 2024.

If passed during the regular session of the General Assembly, this bill would become effective on July 1, 2023.

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

Item(s): Page 1, Revenue Estimates  
 Item 114, DHCD Housing Assistance Services

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

**7a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2023-24	\$150,000	1	GF
2024-25	\$150,000	1	GF
2025-26	\$150,000	1	GF
2026-27	\$150,000	1	GF
2027-28	\$150,000	1	GF
2028-29	\$150,000	1	GF

**7b. Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2023-24	(\$750,000)	GF
2024-25	(\$750,000)	GF
2025-26	(\$750,000)	GF
2026-27	(\$750,000)	GF
2027-28	(\$750,000)	GF
2028-29	(\$750,000)	GF

## **8. Fiscal implications:**

### Administrative Costs

The Department of Taxation (“the Department”) considers implementation of this bill as routine and does not require additional funding.

The Department of Housing and Community Development (“DHCD”) estimates that this bill would result in \$150,000 in additional costs. DHCD anticipates that their agency would incur additional administrative expenses to implement this bill including the hiring of one additional full-time employee.

### Revenue Impact

This bill would have an unknown negative General Fund revenue impact beginning in Fiscal Year 2024. Under current law, the credit is subject to an annual credit cap of \$250,000. According to DHCD, this credit has been oversubscribed for several years. This bill would increase such cap to \$1 million. As a result, the annual negative revenue impact would be limited to a maximum of \$750,000.

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

Department of Taxation  
Department of Housing and Community Development

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

## **11. Other comments:**

### Communities of Opportunity Tax Credit

During the 2010 Session, the General Assembly established the Communities of Opportunity Tax Credit for landlords with qualified housing units located in census tracts with poverty rates of less than 10 percent in the Richmond Metropolitan Statistical Area who participate in a housing choice voucher program. The credit was expanded in 2019, 2020, and 2022 to cover qualified housing units in more locations, and now includes qualified housing units in all census tracts located in Virginia with poverty rates of less than 10 percent.

The amount of tax credit for an eligible property is based on 10 percent of annual fair market rent for that specific unit and prorated when units are qualified for less than the full taxable year. For purposes of the credit, a “qualified housing unit” includes a dwelling unit that is located in an eligible housing area for which a portion of the rent is paid by a housing authority, and payment is pursuant to a housing choice voucher program.

The tax credit was initially capped at \$450,000, but the cap was reduced during the 2013 General Assembly Session to \$250,000. In the event that the amount of the qualified requests for tax credits in a fiscal year exceeds the \$250,000 cap, all qualified applicants receive a prorated tax credit amount.

## Proposed Legislation

This bill would increase the maximum amount of tax credits that may be issued under the Communities of Opportunity Tax Credit, from \$250,000 to \$1 million each fiscal year beginning in Fiscal Year 2024.

If passed during the regular session of the General Assembly, this bill would become effective on July 1, 2023.

cc : Secretary of Finance

Date: 1/21/2023 RWC  
HB1771F161