

DEPARTMENT OF TAXATION

2023 Fiscal Impact Statement

1. **Patron** Jeremy S. McPike

3. **Committee** Senate Finance and Appropriations

4. **Title** Fredericksburg Area Transportation
Authority; Recordation tax; Transient
occupancy tax

2. **Bill Number** SB 1137

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would create the Fredericksburg Area Transportation Authority (“the Authority”), comprising the counties and cities within Planning District 16. The bill would provide transportation funding to the Authority through the imposition of an additional grantor’s fee at the rate of \$0.06 per \$100 of the consideration for the conveyance and a local one percent transportation transient occupancy tax. This bill would increase the total allocation of state recordation tax revenue for counties and cities to \$55 million and allocate \$15 million of that amount to the Fredericksburg Area Transportation Fund (“FATF”), thereby increasing the distribution to all counties and cities besides those that are part of the Northern Virginia, Hampton Roads, or Fredericksburg transportation districts by \$20 million annually.

Under current law, no transportation transient occupancy tax or grantor’s fee are levied in Planning District 16. Cities and counties receive a distribution of recordation tax revenues of \$20 million annually, which is currently dedicated to the Hampton Roads Regional Transit Fund.

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

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

Item(s): Item 266, Financial Assistance to Localities

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	\$35 million	0	GF
	(\$15 million)	0	FATF
	(\$20 million)	0	Localities
2024-25	\$35 million	0	GF
	(\$15 million)	0	FATF
	(\$20 million)	0	Localities
2025-26	\$35 million	0	GF
	(\$15 million)	0	FATF
	(\$20 million)	0	Localities
2026-27	\$35 million	0	GF
	(\$15 million)	0	FATF
	(\$20 million)	0	Localities
2027-28	\$35 million	0	GF
	(\$35 million)	0	FATF
	(\$20 million)	0	Localities
2028-29	\$35 million	0	GF
	(\$15 million)	0	FATF
	(\$20 million)	0	Localities

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2023-24	\$4.9 million	FATF
2024-25	\$5.1 million	FATF
2025-26	\$5.2 million	FATF
2026-27	\$5.4 million	FATF
2027-28	\$5.6 million	FATF
2028-29	\$5.6 million	FATF

8. Fiscal implications:

Administrative Costs

This bill would have an unknown impact on local administrative costs. The Department of Taxation considers implementation of this bill to be routine and does not require additional funding.

Revenue Impact

This bill would result in annual General Fund appropriations of \$35 million in Fiscal Year 2024 and thereafter, which would consist of an increased annual appropriation to localities of \$20 million in Fiscal Year 2024 and thereafter, and a new appropriation to the Fredericksburg Area Transportation Fund of \$15 million annually beginning in Fiscal Year 2024.

The total positive impact to the Fredericksburg Area Transportation Fund would be \$19.9 million in Fiscal Year 2024, \$20.0 million in Fiscal Year 2025, \$20.2 million in Fiscal Year 2026, \$20.3 million in Fiscal Year 2027, \$20.5 million in Fiscal Year 2028, and \$20.6 million in Fiscal Year 2029. This would consist of the previously mentioned \$15 million appropriation from the General Fund and combined tax revenues generated from the grantors tax and the transient occupancy tax of \$4.9 million in Fiscal Year 2024, \$5.1 million in Fiscal Year 2025, \$5.2 million in Fiscal Year 2026, \$5.4 million in Fiscal Year 2027, \$5.5 million in Fiscal Year 2028, \$5.6 million in Fiscal Year 2029, and \$5.6 million in Fiscal Year 2030. The table below summarizes the total impact of this bill.

	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Grantors Tax - 6 cents per \$100	2.7	2.8	2.9	3.0	3.1	3.1	3.1
Transient Occupancy Tax - 1%	2.2	2.3	2.3	2.4	2.4	2.5	2.5
State Recordation Tax Transfer	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Total Fredericksburg Fund	19.9	20.1	20.2	20.4	20.5	20.6	20.6
Transfer to Fredericksburg Fund	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Transfer to Cities and Counties	20.0	20.0	20.0	20.0	20.0	20.0	20.0
General Fund Appropriation	35.0	35.0	35.0	35.0	35.0	35.0	35.0

9. Specific agency or political subdivisions affected:

Department of Taxation
Planning District 16 (Caroline County, King George County, Spotsylvania County, Stafford County, City of Fredericksburg)
All localities

10. Technical amendment necessary: No.

11. Other comments:

Regional Transportation Improvement Fee

A Regional Transportation Improvement Fee is currently imposed at the rate of \$0.15 per \$100 of value on deeds recorded in localities encompassed by the Northern Virginia Transportation Authority ("NVTA") and \$0.06 per \$100 of value recorded in the Hampton Roads Transportation District ("HRTD"). This regional recordation fee is used to fund transportation projects benefiting the region in which it is levied. This fee is in addition to the statewide recordation tax already levied at \$0.25 per \$100 recorded. Similarly, this bill would impose a regional transportation improvement fee in the localities encompassed by the Fredericksburg Area District to benefit transportation in the region at the rate of \$.06 per \$100 of value recorded.

Transportation District Transient Occupancy Tax

The Transportation District Transient Occupancy Tax is a regional Transient Occupancy Tax imposed on all transient lodging within the NVTA and HRTD. The tax is imposed at a rate of two percent on the gross sales price of the lodging in the NVTA and one percent within the HRTD. Funds from the tax are used to fund transportation projects within the

region in which the tax was collected. This bill would impose a similar one percent tax on transient occupancy in Planning District 16 in order to benefit transportation funding in that region.

State Recordation Tax Revenues

The state recordation tax is currently levied at a rate of \$0.25 per \$100 of value of deeds recorded. Currently, \$20 million dollars per year of the revenue from the tax is allocated for distribution to all localities outside the Northern Virginia and Hampton Roads regions. Distributions from the \$20 million of revenue are made in quarterly installments based on each locality's proportional share of the total state recordation tax revenue collected.

Beginning July 1, 2020, however, \$20 million of the allocation was dedicated to the Hampton Roads Regional Transit Fund, effectively reducing the amount available to distribute annually to all other eligible localities to \$0. This bill would increase the total allocation of state recordation tax revenue for counties and cities to \$55 million and allocate \$15 million of that amount to the Fund, thereby leaving \$20 million to be distributed to all counties and cities besides those that are part of the Northern Virginia, Hampton Roads, or Fredericksburg transportation districts.

Proposal

This bill would create the Fredericksburg Area Transportation Authority, comprised of the counties and cities within Planning District 16. The bill would provide transportation funding to the Authority through the imposition of an additional grantor's fee at the rate of \$0.06 per \$100 of the consideration for the conveyance and a local one percent transportation transient occupancy tax. The bill would also increase the annual distribution of recordation tax revenues to cities and counties to \$55 million, and dedicate \$15 million of such amount to the Fredericksburg Area Transportation Fund. The remaining \$20 million would be distributed to all counties and cities besides those that are part of the Northern Virginia, Hampton Roads, or Fredericksburg transportation districts.

Planning District 16 is comprised of the counties of Caroline, King George, Spotsylvania, and Stafford and the City of Fredericksburg.

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

Similar Legislation

Senate Bill 1161 would increase the annual distribution of recordation tax revenues to cities and counties from \$20 million to \$60 million.

cc : Secretary of Finance

Date: 1/29/2023 VB
SB1137F161