

**DEPARTMENT OF TAXATION
2007 Fiscal Impact Statement**

1. **Patron** Jennifer L. McClellan

3. **Committee** House Finance

4. **Title** State Recordation Tax; Exemptions

2. **Bill Number** HB 2291

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would create an exemption from the recordation tax for any deed conveying real estate or a lease of real estate to a new or surviving limited partnership or business trust following a merger or consolidation of two such entities. For purposes of this bill a merger or reorganization is defined by *Internal Revenue Code (IRC)* § 368(a).

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

7. **Budget amendment necessary:** No.

8. Fiscal implications:

Administrative Costs

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

Revenue Impact

This bill would have a negative impact of unknown magnitude on recordation tax revenue. It would create an exemption from the state recordation tax for merging limited partnerships and business trusts.

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Currently Va. Code § 58.1-811 provides an exemption from the recordation tax to surviving or new corporations, partnerships and limited liability corporations following a merger or reorganization.

Propose Changes

This bill would expand the recordation tax exemptions found in Va. Code §58.1-811 to surviving or new limited partnerships and business trusts following a merger or reorganization.

Similar Legislation

House Bill 2292 and **Senate Bill 794** would provide a similar exemption from the recordation tax.

cc : Secretary of Finance

Date: 1/29/2007 JOC
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