

## Department of Planning and Budget 2008 Fiscal Impact Statement

**1. Bill Number:** HB791

House of Origin      X     Introduced                 Substitute                 Engrossed  
Second House                In Committee             Substitute                 Enrolled

**2. Patron:**        Ingram

**3. Committee:** Finance

**4. Title:**         **Fort Lee Housing Enterprise Zone.**

- 5. Summary:** Establishes the Fort Lee Housing Enterprise Zone to encompass a 10-mile radius surrounding the Fort Lee military base located in Prince George County for the purpose of encouraging the construction, redevelopment, or rehabilitation of single- and multi-family housing in the zone. The bill also establishes the Housing Enterprise Zone Tax Credit available to persons who build or substantially redevelop or rehabilitate (i) a single-family home with a value of \$250,000 or less or (ii) a multifamily housing project consisting of apartments with at least two bedrooms and renting for \$750 or less per month, on property located within the Fort Lee Housing Enterprise Zone. In addition, the bill authorizes local governing bodies whose territory is contained within the Fort Lee Housing Enterprise Zone to establish a housing enterprise zone for the purpose of providing incentives and regulatory flexibility to encourage the construction, redevelopment, or rehabilitation of single- and multi-family housing in the zone.

The tax provisions of this bill would be effective for taxable years beginning on and after January 1, 2008.

**6. Fiscal Impact Estimates:** Preliminary. See item 8, below.

**Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2008	-	-	-
2009	236,000	3.0	GF
2010	236,000	3.0	GF
2011	236,000	3.0	GF
2012	236,000	3.0	GF
2013	236,000	3.0	GF
2014	236,000	3.0	GF

**7. Budget Amendment Necessary:** Yes. Item 111.

- 8. Fiscal Implications:** It is anticipated that the proposed legislation would have both a general fund revenue impact and expenditure impact. The bill establishes a new tax credit, the Housing Enterprise Zone Tax Credit. The tax credits would result in foregone revenue.

The amount in tax credits that may be claimed is indeterminate, but the bill caps the total amount of tax credits available each fiscal year at \$10 million.

Developers or investors who meet certain requirements in the construction or rehabilitation of housing located in the Fort Lee Housing Enterprise Zone would be eligible for the Housing Enterprise Zone Tax Credit. This tax credit would be applicable to the individual, fiduciary, and corporate income taxes, as well as the bank franchise tax, the gross receipts tax on insurance premiums, and the license tax imposed on public service companies. The credit would be equal to 50 percent of the actual amount expended by the developer or investor to acquire land for an applicable home or multi-family housing project; the amount of credit that may be claimed by the taxpayer in any taxable year would not be allowed to exceed the lesser of (i) the tax imposed for the taxable year, or (ii) \$500,000. Any credit that could not be used in the taxable year could be carried over for credit in the next five taxable years until the total amount of the tax credit has been taken. A taxpayer could not take this new tax credit and the Virginia Low-Income Housing Credit in the same taxable year for the same housing unit.

The bill would have an expenditure impact for the Department of Housing and Community Development (DHCD). DHCD would be required to develop guidelines regarding this credit. Also, DHCD would have to inspect each tax credit recipient annually to ensure compliance with the provisions of Section 42 of the Internal Revenue Code (Federal Low-Income Housing Credit). This new requirement represents a significant new administrative responsibility for DHCD. In order to meet the administrative requirements of this new program DHCD has indicated that three new FTEs and an administrative budget allocation of \$236,000, from the general fund, in each year of the biennium will be needed. Depending on the number of projects requiring annual monitoring, DHCD may require additional staff resources in the future. An estimate of that cost, if any, is unknown at this time.

The Department of Taxation may be required to make modifications to its information technology systems and forms, but any changes could be implemented in conjunction with the agency's annual updates to systems and forms.

**9. Specific Agency or Political Subdivisions Affected:** Department Housing and Community Development, Department of Taxation, State Corporation Commission, and Prince George County.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** None.

**Date:** 1/20/2008 dpbtmw

**Document:** G:\2008 Session\Fiscal Impact Statements\HB791.Doc

cc: Secretary of Finance  
Secretary of Commerce and Trade