

## Department of Planning and Budget 2009 Fiscal Impact Statement

**1. Bill Number:** SB 1019

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

**2. Patron:**        McEachin

**3. Committee:** Finance

**4. Title:**        Neighborhood Assistance Act tax credits; landlords participating in housing choice voucher programs

**5. Summary:** Allocates \$4.5 million in Neighborhood Assistance Act tax credits to landlords participating in housing choice voucher programs for low-income tenants. The bill also increases the annual amount of Neighborhood Assistance Act tax credits from \$12 million to \$12.5 million, with the \$500,000 increase coming from a transfer of tax credits that are currently reserved for the low-income housing credit under §58.1-435.

A landlord who participates in a housing choice voucher program would receive a tax credit equal to 40 percent of the fair market value of the rent for each qualified housing unit. Qualified housing units would be (i) dwelling units located in census tracts in the Commonwealth in which less than 10 percent of the residents live below the poverty level, (ii) dwelling units included in a housing choice voucher program, (iii) required to be in substantial compliance with the Uniform Statewide Building Code, and (iv) part of a parcel of real property that contains at least four dwelling units with no more than 25 percent of the total dwelling units on the parcel included in a housing choice voucher program.

The Department of Housing and Community Development would administer the tax credits for landlords participating in housing choice voucher programs. Tax credits would be allowed only for that portion of the taxable year in which a dwelling unit was included in a housing choice voucher program. The bill provides a five-year carryforward period for unused tax credits.

The bill extends the sunset date of the Neighborhood Assistance Act tax credit program from July 1, 2009, to July 1, 2011.

**6. Fiscal Impact is Preliminary (see item 8)**

**7. Budget Amendment Necessary:** Yes. The current 2008-2010 biennium budget increased the annual cap for Neighborhood Assistance Act credits from \$8.0 million to \$12.0 million. The budget allocates \$1.0 million of the increase to education programs, and the remaining \$3.0 million to providing grants to private schools for students with disabilities.

This bill would modify the Code to increase the annual cap for tax credits allowed under the Act from \$8 million to \$12.5 million. Out of this money, \$4.0 million would be used in

accordance with any additional allocation of Neighborhood Assistance Act tax credits as may be provided in the general appropriation act, \$2.75 million would be allocated to education programs, and \$4.5 million would be allocated to tax credits for participating landlords.

Existing budget language regarding the allocation of Neighborhood Assistance Act credits would conflict with language in this legislation. Therefore, in addition to the appropriation needed by the Department of Housing and Community Development for administration, a budget language amendment is required to reconcile these differences.

## **8. Fiscal Implications:**

### Revenue Impact

Under the provisions of the budget for the 2008-2010 biennium, the Neighborhood Assistance Act Tax Credit is already capped at \$12.0 million. Because this bill would shift the additional \$500,000 from the Low-Income Housing credit program, this bill would have no revenue impact.

### Department of Housing and Community Development

The Department of Housing and Community Development maintains that this legislation would require the department to incur a number of additional administrative tasks to ensure that the credits are properly allocated to eligible recipients. The department estimates that, given the parameters of the new activities, the implementation of this bill would require an additional position at a cost of \$79,000 (salary and benefits) per year and \$10,000 in funding for other program support activities.

### Department of Taxation

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. 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.

### Department of Social Services

Under this legislation, the amount of available tax credits administered by the Department of Social Services would be reduced, but not eliminated. The department has an annual appropriation of \$37,462 for the administration of this program, which would be continued through 2011 if this bill is enacted.

## **9. Specific Agency or Political Subdivisions Affected:**

Department of Housing and Community Development

Department of Taxation

Department of Social Services

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

**11. Other Comments:** This bill is a companion to HB 2106.

**Date:** 1/20/2009

**Document:** G:\2009 Fiscal Year\EFIS\SB1019.Doc

cc: Secretary of Health and Human Resources