

**DEPARTMENT OF TAXATION
2013 Fiscal Impact Statement**

1. **Patron** Jill Holtzman Vogel

3. **Committee** Senate Finance

4. **Title** Tax Credit for Participating Landlords;
Eligible Housing Area

2. **Bill Number** SB 932

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would allow participating landlords in any census tract in the Commonwealth to be eligible for the Communities of Opportunity Tax Credit, provided the other requirements for the tax credit are met. Currently, the program is limited to the Richmond Metropolitan Statistical Area.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.

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

8. Fiscal implications:

Administrative Impact

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

Revenue Impact

This bill would have an unknown negative General Fund revenue impact, beginning in Fiscal Year 2014. This bill would expand the credit that so that it could be claimed by participating landlords in areas outside of the Richmond Metropolitan Statistical Area, thereby increasing the amount of credits that may be claimed. The number of participating landlords that could potentially claim the credit under this bill is unknown, as is the amount of credits that they may claim. Although this credit is capped at \$450,000, the amount of credits currently claimed is significantly below this amount. The credit was not reported on the Department's Fiscal Year 2011 or Fiscal Year 2012 Annual Reports due to disclosure guidelines.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Housing and Community Development

10. Technical amendment necessary: No.

11. Other comments:

Background

Under prior law, a taxpayer could claim the Virginia Low-Income Housing Tax Credit in an amount equal to a percentage of the amount of the federal Low-Income Housing Tax Credit that was claimed on the taxpayer's federal return. To receive the credit, taxpayers were required to apply to DHCD for approval. The total amount of credits approved by DHCD in a calendar year was limited to \$500,000 annually.

During the 2010 session, the General Assembly passed legislation that required DHCD to cease approving Low-Income Housing Tax Credits after June 30, 2010. This legislation also created a new tax credit, subsequently named the Communities of Opportunity Tax Credit. Participating landlords are eligible for an individual or corporate income tax credit equal to ten percent of the fair market value of the rent for each qualified housing unit, computed for the portion of the taxable year in which the unit was rented to a tenant participating in a housing choice voucher program. DHCD is required to determine the fair market value of the housing unit based on the fair market rent approved by the United States Department of Housing and Urban Development as the basis for the tenant-based assistance provided through the housing choice voucher program for the qualified housing unit. This credit is capped at \$450,000 annually.

For purposes of the Communities of Opportunity Tax Credit, a "qualified housing unit" is defined as a dwelling unit that is located in an eligible housing area for which a portion of the rent is paid by a housing authority, which payment is pursuant to a housing choice voucher program. An "eligible housing area" is currently defined as a census tract in the Richmond Metropolitan Statistical Area in which less than 10 percent of the residents live below the poverty level, as defined by the United States government and determined by the most recent United States census. The Richmond Metropolitan Statistical Area consists of the following localities: Amelia County, Caroline County, Charles City County, Chesterfield County, Cumberland County, Dinwiddie County, Goochland County, Hanover County, Henrico County, King and Queen County, King William County, Louisa County, New Kent County, Powhatan County, Prince George County, Sussex County, Colonial Heights, Hopewell, Petersburg, and Richmond.

Legislative Proposal

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requirements for the tax credit are met. Currently, the program is limited to the Richmond Metropolitan Statistical Area.

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Similar Legislation

House Bill 2059 would decrease the annual cap on the Communities of Opportunity Tax Credit from \$450,000 to \$250,000.

cc : Secretary of Finance

Date: 1/15/2013 KLC
SB932F161