

DEPARTMENT OF TAXATION

2015 Fiscal Impact Statement

1. **Patron** Lionell Spruill, Sr.

2. **Bill Number** HB 1337

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Recordation Tax; Exemption for Bail
Bondsman

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would provide an exemption from the state recordation tax for deeds of trust or mortgages given by property bail bondsmen as security on a bond. A "property bail bondsman" is a person licensed by the Department of Criminal Justice Services who, for compensation, enters into a bond or does so through his agent and who pledges real property, cash, certificates of deposit issued by a federally insured institution, or any combination thereof as security for a bond that has been posted to assure performance of terms and conditions specified by order of an appropriate judicial officer as a condition of bail.

Under current law, deeds of trust or mortgages given by property bail bondsmen are subject to the state recordation tax at the rate of \$0.25 per \$100 or portion thereof of the amount of the bonds or other obligations secured by the deed of trust or mortgage. An additional recordation tax may be imposed by cities and counties in an amount equal to one-third of the state tax.

The effective date of this bill is not specified.

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

ITEM(S): Page 1, Revenue Estimates

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

There would be no administrative costs to the Department of Taxation to implement this bill, as the recordation tax is collected by the clerks of the local Circuit Courts. The cost for the local courts to implement this bill is unknown.

Revenue Impact

This bill exempts deeds of trusts and mortgages given by property bail bondsmen. The current recordation tax rate for such deeds is \$0.25 per \$100 of value. Based on information provided by the Department of Criminal Justice Services, this bill would result in an the estimated loss of state recordation tax revenues of \$30,000 a fiscal year. Of the \$30,000, the Commonwealth Mass Transit Fund would lose approximately \$2,400, the Highway Maintenance and Operating Fund would lose approximately \$1,200, and the General Fund would lose approximately \$26,400.

The Commonwealth collected approximately \$360 million in Fiscal Year 2013 from the state recordation tax. The first \$40 million of the state recordation tax is dedicated to the U.S. Route 58 Corridor Development Fund and another \$40 million of the state recordation tax is apportioned and distributed back to each county and city. Additionally, out of the total state recordation tax collected, \$0.02 per \$100 of value are deposited into the Commonwealth Mass Transit Fund and \$0.01 per \$100 of value is deposited into the Highway Maintenance and Operating Fund. The remaining revenues are dedicated to the General Fund.

As the exemption would also apply to the local recordation tax, the bill would also result in a minimal loss of local revenues. According to Virginia Local Tax Rates, 2013, published by the Weldon Cooper Center for Public Service, 36 cities and 91 counties currently report imposing a local recordation tax.

9. Specific agency or political subdivisions affected:

Department of Taxation
Clerks of the Circuit Courts

10. Technical amendment necessary: No.

11. Other comments:

Background

Under Virginia law, a deed is effective between the parties when the grantor delivers it to the grantee. Virginia offers a recordation system in each circuit court to record deeds and has enacted laws providing certain protections for buyers and lenders who rely on the information recorded in the circuit courts. Accordingly, Virginia imposes a tax for the privilege of using the recordation system to record deeds.

For deeds of trust, a tax is imposed on the amount of bonds or other obligations secured thereby. The amount of the tax is 25 cents on every \$100 or portion thereof of the amount of bonds or other obligations secured by the deed of trust, except in certain situations. An additional recordation tax may be imposed by cities and counties in an amount equal to one-third of the state tax.

Proposal

This bill would provide an exemption from the state recordation tax for deeds of trust or mortgages given by property bail bondsmen as security on a bond. A "property bail bondsman" is a person licensed by the Department of Criminal Justice Services who, for compensation, enters into a bond or does so through his agent and who pledges real property, cash, certificates of deposit issued by a federally insured institution, or any combination thereof as security for a bond that has been posted to assure performance of terms and conditions specified by order of an appropriate judicial officer as a condition of bail.

The effective date of this bill is not specified.

Similar Legislation

House Bill 1492 would provide an exemption from the recordation tax rate for deeds of partition, or any combination of deeds simultaneously executed and having the effect of a deed of partition, among joint tenants, tenants in common, or coparceners and deeds transferring property pursuant to a decree of divorce or of separate maintenance or pursuant to a written instrument incident to such divorce or separation.

cc : Secretary of Finance

Date: 1/18/2015 AM
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