

# DEPARTMENT OF TAXATION

## 2017 Fiscal Impact Statement

1. **Patron** Alfonso H. Lopez

3. **Committee** House Appropriations

4. **Title** Recordation Tax; Exemption for Certain Deeds

2. **Bill Number** HB 1867

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would require 20 percent of the revenues generated by the state recordation tax deposited in the state treasury in excess of \$325 million each fiscal year to be transferred the Virginia Housing Trust Fund no later than September 1 of the immediately following fiscal year. The transfer would not apply to recordation tax revenues generated by the open-space preservation fee or the regional congestion relief fee.

Under current law, 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, subject to certain transfers. 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 Commonwealth Transit Capital Fund. The remaining revenues are dedicated to the General Fund.

The effective date of this bill is not specified.

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

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

**7b. Revenue Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2016-17	\$0	GF
	\$0	VHTF
2017-18	\$0	GF
	\$0	VHTF
2018-19	(\$6.9 million)	GF
	\$6.9 million	VHTF
2019-20	(\$3.0 million)	GF
	\$3.0 million	VHTF
2020-21	\$0	GF
	\$0	VHTF
2021-22	\$0	GF
	\$0	VHTF
2022-23	\$0	GF
	\$0	VHTF

**8. Fiscal implications:**

Administrative Costs

There would be no administrative costs to the Department of Taxation to implement this bill.

Revenue Impact

Twenty percent of the revenues generated by the state recordation tax deposited in the state treasury in excess of \$325 million is estimated to be \$6.9 million for Fiscal Year 2018 and \$3.0 million in Fiscal Year 2019. As the bill would require the revenues to be transferred no later than September 1 in the immediately following fiscal year that the revenues exceeded \$325 million, this bill is estimated to result in transfers from the General Fund to the Virginia Housing Trust Fund of \$6.9 million in Fiscal Year 2019 and \$3.0 million in Fiscal Year 2020. This would decrease the amount of General Fund revenues available for appropriation by \$6.9 million in Fiscal Year 2019 and \$3.0 million in Fiscal Year 2020. State recordation tax revenues are not estimated to exceed \$325 million in Fiscal Years 2020 through Fiscal Years 2023.

**9. Specific agency or political subdivisions affected:**

Virginia Housing Trust Fund

**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. An additional recordation tax may be imposed by cities and counties in an amount equal to one-third of the state 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, subject to certain transfers. 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 Commonwealth Transit Capital Fund. The remaining revenues are dedicated to the General Fund.

### Virginia Housing Trust Fund

The Virginia Department of Housing and Community Development (DHCD) and the Virginia Housing Development Authority (VHDA) collaborate to administer the Virginia Housing Trust Fund. The VHDA is required to use at least 80 percent of the Fund to provide flexible financing for low-interest loans through eligible organizations. Such loans shall be structured to maximize leveraging opportunities. Loans may be provided for i) affordable rental housing to include new construction, rehabilitation, repair, or acquisition of housing to assist low or moderate income citizens, including land and land improvements; ii) down payment and closing cost assistance for homebuyers; and iii) short-term, medium-term, and long-term loans to reduce the cost of homeownership and rental housing. The DHCD may use up to 20 percent of the Fund to provide grants through eligible organizations for targeted efforts to reduce homelessness, including i) temporary rental assistance, not to exceed one year; ii) housing stabilization services in permanent supportive housing for homeless individuals and homeless families; iii) mortgage foreclosure counseling targeted at localities with the highest incidence of foreclosure activity; and iv) predevelopment assistance for permanent supportive housing and other long-term housing options for the homeless.

### Proposal

This bill would require 20 percent of the revenues generated by the state recordation tax deposited in the state treasury in excess of \$325 million each fiscal year to be transferred the Virginia Housing Trust Fund no later than September 1 of the immediately following fiscal year. The transfer would not apply to recordation tax revenues generated by the open-space preservation fee or the regional congestion relief fee.

The effective date of this bill is not specified.

## Similar Legislation

**House Bill 1478** and **Senate Bill 875** would provide an exemption from the recordation tax for deeds of trust or mortgages given by utility consumer services cooperatives or utility aggregation cooperatives organized pursuant to Chapter 9.1 of Title 56.

**House Bill 1489** would provide an exemption from the recordation tax for deeds conveying real estate or the lease of real estate to i) a subsidiary limited liability company or limited liability partnership from its parent limited liability company or limited liability partnership, or ii) a parent limited liability company or limited liability partnership from its subsidiary limited liability company or limited liability partnership. The bill also would provide an exemption from the recordation tax for deeds conveying real estate or the lease of real estate to a limited liability company, limited partnership, or general partnership from a commonly owned limited liability company, limited partnership, or general partnership, if the transaction qualifies for nonrecognition of gain or loss under the Internal Revenue Code.

**House Bill 2038** would exempt deeds of trust and mortgages securing the refinancing of an existing debt that was secured by a deed of trust or mortgage on which the state recordation tax was paid within the last two years.

**Senate Bill 806** would create the Interstate 73 Corridor Development Fund and provide that the first \$40 million of state recordation taxes would be distributed to the Fund annually effective upon the completion of the construction of and payments for all parts of the U.S. Route 58 Corridor Development Program. The bill also would repeal the U.S. Route 58 Corridor Development Fund and U.S. Route 58 Corridor Development Program effective upon the completion of the construction of and payments for all parts of the Program.

cc : Secretary of Finance

Date: 1/22/2017 AM  
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