

DEPARTMENT OF TAXATION

2018 Fiscal Impact Statement

1. **Patron** M. Keith Hodges

2. **Bill Number** HB 1092

3. **Committee** Senate Finance

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Tax Increment Financing; Dredging Projects

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would modify the definition of “development project area” for purposes of tax increment financing to include any area designated as a dredging project other than a dredging project for or by the Virginia Port Authority.

Under current law, the definition of “development project area” does not specifically mention dredging projects.

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 Costs

This bill could have an effect on local administrative costs to the extent that more projects could be eligible to use tax increment financing, which would require implementation and oversight by the local government.

Revenue Impact

This bill could have an unknown effect on local revenues because, under tax increment financing, some local revenue is dedicated specifically to pay for financing of development projects. These projects, in turn, are designed to produce greater economic activity in designated areas.

This bill would have no impact on state revenues.

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

10. Technical amendment necessary: No

11. Other comments:

Background

Tax Increment Financing (“TIF”) is a program whereby a local governing body works with a developer to provide financing through local bonds for projects designed to revitalize or redevelop designated areas.

The financing works by using taxes attributable to the increased value between the most current assessed value of any parcel of real estate in the development project area and the assessed value of such real estate before the project (the base value) to pay the principal and interest on obligations issued for the development project. Such financing can also be used to pay commitments entered into to finance the development project costs.

Under current law, “development project area” is defined as any “area designated for development or redevelopment in an ordinance passed by the local governing body.”

Proposed Legislation

This bill would modify the definition of “development project area” for purposes of tax increment financing to include any area designated as a dredging project other than a dredging project for or by the Virginia Port Authority.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 2/13/2018 SK
DLAS File Name: HB1092FE161