DEPARTMENT OF TAXATION
2020 Fiscal Impact Statement

1. Patron George L. Barker

2. Bill Number SB 200

House of Origin:
X **Introduced**
_____ **Substitute**
_____ **Engrossed**

3. Committee Senate Finance and Appropriations

4. Title Communities of Opportunity Tax Credit; Expands the Number of Eligible Housing Areas

Second House:
_____ **In Committee**
_____ **Substitute**
_____ **Enrolled**

5. Summary/Purpose:

This bill would modify the Communities of Opportunity Tax Credit by permitting landlords renting a qualified housing unit within the City of Alexandria to qualify for the credit. Under current law, only landlords with qualified housing units within eligible census tracts located in either the Richmond Metropolitan or Virginia Beach-Norfolk-Newport News Metropolitan Statistical Areas may qualify for the credit.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

6. Budget amendment necessary: No.

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

8. Fiscal implications:

Administrative Cost

The Department of Housing and Community Development ("DHCD") believes that this bill would not require additional administrative costs. However, without an additional funding of $50,000, there would not be any increased marketing or educational efforts to expand credit utilization into the newly eligible area.

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 2021. This bill would expand the geographic area within Virginia that qualifies for purposes of the credit. However, it is unknown how many eligible landlords with qualifying rentals units within the newly included region would qualify for and claim the credit.

For Fiscal Year 2015 through Fiscal Year 2018, an average of $48,679 in Communities of Opportunity Tax Credits were claimed each year by an average of 13 taxpayers. Preliminary data indicates that the credit was not claimed during Fiscal Year 2019. The credit is currently capped at $250,000 per fiscal year. Therefore, the potential negative revenue impact of this bill would be limited by the existing credit cap.

Fiscal Year	Number of Credits Claimed	Amount of Credits Claimed
2015	20	$42,041
2016	11	$53,266
2017	12	$71,500
2018	8	$27,909
2019 (Preliminary)	0	$0

9. Specific agency or political subdivisions affected:

Department of Housing and Community Development
Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Communities of Opportunity Tax Credit

During the 2010 Session, the General Assembly established the Communities of Opportunity Tax Credit for landlords with qualified housing units located in census tracts with poverty rates of less than 10 percent in the Richmond Metropolitan Statistical Area who participate in a housing choice voucher program. The amount of tax credit for an eligible property is based on 10 percent of annual fair market rent for that specific unit and prorated when units are qualified for less than the full taxable year. For purposes of the credit, a “qualified housing unit” includes a dwelling unit that is located in an eligible housing area for which a portion of the rent is paid by a housing authority, and payment is pursuant to a housing choice voucher program.

The tax credit was initially capped at $450,000, but the cap was reduced during the 2013 General Assembly Session to $250,000.

During the 2019 Session, the General Assembly expanded the credit to include the Virginia Beach-Norfolk-Newport News Metropolitan Statistical Area.

Proposed Legislation

This bill would modify the Communities of Opportunity Tax Credit by permitting landlords renting a qualified housing unit within the City of Alexandria to qualify for the credit. Under current law, only landlords with qualified housing units within eligible census tracts located in either the Richmond Metropolitan or Virginia Beach-Norfolk-Newport News Metropolitan Statistical Areas may qualify for the credit. The portion of the credit limiting it to qualified housing units within eligible census tracts would not apply for purposes of the City of Alexandria.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

Similar Bills

House Bill 1014 is identical to this bill.

Senate Bill 590 would expand the Communities of Opportunity Tax Credit by permitting qualified housing units within the Washington-Arlington-Alexandria Metropolitan Statistical Area to qualify for the credit.

cc : Secretary of Finance

Date: 1/13/2020 RWC
SB200F161