

# DEPARTMENT OF TAXATION

## 2023 Fiscal Impact Statement

1. **Patron** Richard H. Stuart

3. **Committee** Senate Finance and Appropriations

4. **Title** Distribution of recordation tax revenues to counties and cities

2. **Bill Number** SB 1161

**House of Origin:**

X **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would increase the annual distribution of state recordation tax revenues to counties and cities outside the Northern Virginia Planning District ("NVPD") and Hampton Roads region from \$20 million to \$60 million.

Under current law, \$20 million of state recordation tax revenue is allocated annually for distribution to counties and cities outside of the NVPD. Beginning July 1, 2020, all \$20 million of the funds are allocated to the Hampton Roads Regional Transit Fund ("HRRTF").

If enacted during the regular session of the 2023 General Assembly, this bill would become effective July 1, 2023.

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

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

#### 7a. **Revenue Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2023-24	(\$40 million)	GF
2024-25	(\$40 million)	GF
2025-26	(\$40 million)	GF
2026-27	(\$40 million)	GF
2027-28	(\$40 million)	GF
2028-29	(\$40 million)	GF

### 8. **Fiscal implications:**

#### Administrative Costs

This bill would have no impact on state or local administrative costs.

## Revenue Impact

This bill would provide annual revenues of \$40 million to localities, beginning in Fiscal Year 2024. This bill would decrease General Fund revenues by a corresponding \$40 million annually beginning in Fiscal Year 2024.

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

Department of Taxation

All counties and cities outside the NVPD or Hampton Roads Region

### **10. Technical amendment necessary:** No.

### **11. Other comments:**

#### State Recordation Tax Revenues

The state recordation tax is currently levied at a rate of \$0.25 per \$100 of value recorded. \$20 million per year of the revenue from the tax is currently allotted for distribution to all localities outside the NVPD. Distributions are made in quarterly installments based on each locality's proportional share of the total state recordation tax revenue collected. Beginning July 1, 2020, however, \$20 million of the allocation was dedicated to the HRRTF, effectively reducing the amount available to distribute annually to all other eligible localities to \$0. This bill would increase the total allocation to \$60 million, thereby providing \$40 million to be distributed to all counties and cities outside of the NVPD and that are not part of the Hampton Roads Regional Transit Program.

#### Proposal

This bill would increase the annual distribution of state recordation tax revenues to counties and cities outside the NVPD and Hampton Roads region from \$20 million to \$60 million.

If enacted during the regular session of the 2023 General Assembly this bill would become effective July 1, 2023.

#### Similar Legislation

**Senate Bill 1137** would create the Fredericksburg Area Transportation Fund ("the Fund") and increase the annual allocation of state recordation tax revenues distributable to counties and cities outside of the Northern Virginia and Hampton Roads regions from \$20 million to \$55 million, with \$15 million of that allocated to the Fund.

cc: Secretary of Finance

Date: 1/18/2023 VB  
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