

# DEPARTMENT OF TAXATION

## 2023 Fiscal Impact Statement

1. **Patron** Ghazala F. Hashmi

3. **Committee** Senate Finance and Appropriations

4. **Title** Income tax subtraction on gain from sale of  
manufactured home park

2. **Bill Number** SB 922

**House of Origin:**

X **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

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

This bill would exempt the gain on the sale or exchange of a manufactured home park from individual income tax provided that the terms of the sale require or guarantee maintenance of the property as a manufactured home park for a period of at least 30 years and the sale is to either an entity that is owned by at least 25 percent of the residents of such manufactured home park or an organization exempt from taxation under § 501(c)(3) of the Internal Revenue Code ("IRC").

This bill would be effective for taxable years beginning on or after January 1, 2023.

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

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

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

#### Administrative Costs

The Department of Taxation considers implementation of this bill as routine and does not require additional funding.

#### Revenue Impact

This bill would result in an unknown General Fund revenue loss beginning in Fiscal Year 2024. According to information aggregated from the Virginia Department of Housing and Community Development ("DHCD") website, a total of \$159,809,225 was to be collected from sales of mobile home communities in Virginia in Fiscal Year 2022. Assuming that all such sales were to qualify for this subtraction at Virginia's maximum 5.75 percent individual income tax rate, the annual negative revenue impact of this bill would not exceed \$9 million. However, the actual impact would be less, as it is anticipated that only a portion of total sales would be to entities that would qualify for the exemption under this bill.

The total sales figure is based on the notices of intent to sell that are required to be kept by DHCD and are listed on their website. It does not factor in the tax basis for each sale, which would reduce the amount of the taxable gain from each sale and the corresponding revenue impact. It is unknown how many of these sales would have qualified for this subtraction. It is further unknown how many additional sales may occur due to the tax benefits provided by this bill.

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

Department of Taxation

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

**11. Other comments:**

Current Law

Under federal law, capital gains on the sale or exchange of real property may be taxed at the taxpayer's income tax rate or at the generally lower applicable capital gains tax rate depending on the circumstances. However, sales or exchanges of real property, such as manufactured home parks, used in a trade or business as rental property are generally taxed at the taxpayer's income tax rate.

Virginia does not have a separate capital gains tax rate. As a result, all capital gains on the sale or exchange of real property, including manufactured home parks, included in a taxpayer's federal adjusted gross income are taxed at the taxpayer's income tax rate.

Proposed Legislation

This bill would exempt the capital gain on the sale of a manufactured home park from individual income tax provided that the terms of the sale guaranteed maintenance of the property as a manufactured home park for a period of at least 30 years and the sale is to either an entity that is owned by at least 25 percent of the residents of such manufactured home park or an organization exempt from taxation under § 501(c)(3) of the Internal Revenue Code ("IRC").

"Manufactured home park" as used in this bill and defined by the Code of Virginia is a parcel of land under single or common ownership upon which five or more manufactured homes are located on a continual, nonrecreational basis together with any structure, equipment, road, or facility intended for use incidental to the occupancy of the manufactured homes. A manufactured home park does not include a premises used solely for storage or display of uninhabited manufactured homes or a premises occupied solely by a landowner and members of his family.

This bill would be effective for taxable years beginning on or after January 1, 2023.

### Similar Legislation

**House Bill 1578** is identical to this bill.

cc : Secretary of Finance

Date: 1/20/2023 RWC  
SB922F161