

**DEPARTMENT OF TAXATION  
2019 Fiscal Impact Statement**

1. **Patron** Jerrauld C. Jones

2. **Bill Number** HB 1681

3. **Committee** House Finance

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

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 in a census tract within the Virginia Beach-Norfolk-Newport News Metropolitan Statistical Area in which less than 10 percent of the residents live below the poverty level to be eligible for the credit. Under current law, only landlords with qualified housing units within census tracts in the Richmond Metropolitan Statistical Area may qualify for purposes of the credit.

If enacted during the 2019 Regular Session of the General Assembly, this bill would become effective July 1, 2019.

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

7. **Fiscal Impact Estimates are:** Not provided. (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 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 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 2020. 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. 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.

<b>Fiscal Year</b>	<b>Number of Credits Claimed</b>	<b>Amount of Credits Claimed</b>
2015	20	\$42,041
2016	11	\$53,266
2017	12	\$71,500
2018 (Preliminary)	8	\$27,909
<b>Average</b>	<b>13</b>	<b>\$48,679</b>

**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, which 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.

Proposed Legislation

This bill would modify the Communities of Opportunity Tax Credit by permitting landlords renting a qualified housing unit in a census tract within the Virginia Beach-Norfolk-Newport News Metropolitan Statistical Area in which less than 10 percent of the residents live below the poverty level to be eligible for the credit. Under current law, only landlords

with qualified housing units within census tracts in the Richmond Metropolitan Statistical Area may qualify for purposes of the credit.

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cc : Secretary of Finance

Date: 1/11/2019 RWC  
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