

DEPARTMENT OF TAXATION

2022 Fiscal Impact Statement

1. **Patron** Richard H. Stuart

3. **Committee** Senate Finance and Appropriations

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

2. **Bill Number** SB 363

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would restore the proportional distribution of state recordation tax revenues to counties and cities that was reallocated to the Hampton Roads Regional Transit Fund ("HRRTF") by 2020 Acts of Assembly, Chapters 1241 and 1281. The total allocation would be \$20 million annually.

Under current law, \$20 million of state recordation tax revenue is distributed annually to the HRRTF and no funds are allocated for localities.

If enacted during the regular session of the 2022 General Assembly, this bill would become effective July 1, 2022.

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

Item 266, Department of Accounts

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

7b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2022-23	(\$20M)	HRRTF
	\$20M	Local
2023-24	(\$20M)	HRRTF
	\$20M	Local
2024-25	(\$20M)	HRRTF
	\$20M	Local
2025-26	(\$20M)	HRRTF
	\$20M	Local
2026-27	(\$20M)	HRRTF
	\$20M	Local

8. Fiscal implications:

Administrative Costs

This bill would have no impact on local administrative costs. The Department of Taxation considers implementation of this bill to be routine and does not require additional funding.

Revenue Impact

This bill would have a positive revenue impact to localities of \$20 million annually beginning in Fiscal Year 2023. This bill would have a corresponding negative impact to the HRRTF of \$20 million annually beginning in Fiscal Year 2023.

9. Specific agency or political subdivisions affected:

Department of Taxation
Hampton Roads Regional Transit Fund
All localities

10. Technical amendment necessary: No.

11. Other comments:

Background

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 the HRRTF. Prior to the 2020 law change, quarterly distributions from \$40 million of state recordation tax revenue were made to localities in \$10 million installments based on each locality's proportional share of the total state recordation tax revenue collected statewide. This bill would restore that quarterly distribution to localities but with the total annual distribution limited to \$20 million.

Localities are required to use these funds for (i) transportation purposes, including, without limitation, construction, administration, operation, improvement, maintenance and financing of transportation facilities, or (ii) public education.

Proposal

This bill would restore the proportional distribution of state recordation tax revenues to counties and cities that was reallocated to the HRRTF by 2020 Acts of Assembly, Chapters 1241 and 1281. The total allocation would be \$20 million annually.

If enacted during the regular session of the 2022 General Assembly, this bill would become effective July 1, 2022.

Similar Legislation

House Bill 978 and **Senate Bill 512** are identical to this bill.

cc : Secretary of Finance

Date: 1/19/2022 VB
SB363F161