

MEMORANDUM

DATE: August 5, 2020

From: Jason D. Towery, PE
Director of Public Works 

To: FAMPO Policy Committee & George Washington Regional Commission Members

SUBJECT: FY 2021 Loss of Recordation and Grantor's Tax

Since July of 1994, the Commonwealth has been distributing \$40 million of Recordation and Grantor's tax to localities for transportation and education purposes. The chart below show the estimated distribution for localities in Planning District 16 as well as actual collections for Stafford County, Spotsylvania County and the City of Fredericksburg.

	FY 2018 Estimate (Department of Taxation)	FY 2018 Actual	FY 2019 Actual	FY 2020 Estimate	FY 2021 Estimate - Revised (Department of Taxation)	Loss of Revenue
Fredericksburg	\$ 148,368	\$ 167,301	\$ 114,933	\$ 117,563	\$ -	\$ (117,563)
Spotsylvania	\$ 597,346	\$ 683,126	\$ 665,493	\$ 734,850	\$ -	\$ (734,850)
Stafford	\$ 829,591	\$ 865,889	\$ 862,306	\$ 882,995	\$ -	\$ (882,995)
King George	\$ 100,259	N/A	N/A	\$ 100,259	\$ -	\$ (100,259)
Caroline	\$ 93,750	N/A	N/A	\$ 93,750	\$ -	\$ (93,750)
	\$ 1,769,314			\$ 1,929,417		\$ (1,929,417)

Effective July 1, 2020 the recordation tax distribution was reduced to \$20 million (HB 1414 – Filler-Corn/SB 890 – Saslaw) with the first \$20 million dedicated to the Hampton Roads Transportation District (HB 1726 – Jones/SB 1038 – Lucas). The loss of recordation taxes impacts all counties and cities outside of the Northern Virginia Transportation District and the Hampton Road Transportations District. As a result, the loss of the revenue to our region (Planning District 16) is approximately \$2 million. This figures is based on based on Fiscal Year 2020 year revenues to date collections and year end estimates.

The FAMPO Policy Committee and GWRC Commission are requested to consider resolutions of support to endorse legislative initiatives to restore the distribution of Recordation Tax Revenues to Localities. Stafford County has been working with VACO and other partners to bring this to the General Assembly.

Additional Background Information:

Virginia levies a recordation tax on bonds or other obligations secured by deeds of trust or mortgages at a rate of \$0.25 per \$100 (or portion of \$100). The tax is paid by the purchaser or his/her designee. A tax on deeds involving real estate was first enacted in 1843. Since 1993, a portion of this revenue has been distributed to most cities and counties of the Commonwealth. This funding is distributed quarterly and the amount distributed to each city or county is determined by multiplying the amount to be distributed by a fraction in which the numerator is the amount of the recordation taxes imposed and actually paid into the state treasury attributable to the city or county and the denominator is the amount of recordation taxes actually paid into the state treasury. This distribution must be used by localities for (i) transportation purposes, including, without limitation, construction, administration, operation, improvement, maintenance, and financing of transportation facilities, or (ii) public education.[1]

During the 2020 session of the Virginia General Assembly, legislation (HB 1414 (Filler-Corn) /SB 890 (Saslaw)) was adopted making numerous significant changes to Virginia's transportation revenues and funding system. Changes include a statewide increase in fuels taxes, the creation of a Highway User Fee for alternative fuel and fuel-efficient vehicles, a new regional fuels tax dedicated for the Interstate 81 corridor, and additional Commonwealth Transportation Fund funding to the Northern Virginia Transportation District Fund (NVTDF).[2] The increased funding for the NVTDF used an existing deposit of \$20 million in state recordation tax revenues to the Northern Virginia localities comprising the Northern Virginia Transportation District (NVTDF). As such, HB 1414/SB 890, as originally enrolled by the General Assembly, reduced the amount of statewide recordation tax revenues to be distributed to localities outside of the NVTDF from \$40 million total to \$20 million total effective July 1, 2021. During the April 22, 2020 reconvened General Assembly Session, the General Assembly, acting on an amendment to this legislation by the Governor, advanced the effective date to July 1, 2020.

Also during the 2020 session, legislation (HB 1726 (Askew) / SB 1038 (Lucas)) was enacted to create the Hampton Roads Regional Transit Program (HRRTF), managed by the Hampton Roads Transportation Accountability Commission (HRTAC).[3] As originally drafted, funds generated for this transit program were limited to an additional regional grantor's tax and a regional transient occupancy tax in the Hampton Roads Transportation District. However, as the bill came out of conference committee, \$20 million from existing statewide recordation taxes distributable to cities and counties were also dedicated to the transit program. This legislation, combined with the changes to the state recordation tax revenue adopted in amendments to HB 1414/SB 890, effectively eliminates the distribution of state recordation tax revenues to most Virginia localities. Because the changes to HB 1726/SB 1038 were made in conference, this left local government organizations with little time to respond, despite raising the issue with the office of the Secretary of Transportation. The Governor did not offer amendments to the legislation, and the General Assembly subsequently enacted the bills during the reconvened session.

The Appropriations Act for Fiscal Years 2021 and 2022 in Item 273 – Financial Assistance to Localities distributes \$20 million in each of fiscal years 2021 and 2022.[4] Given that House Bill 1726 would dedicate the first \$20 million of such amount to the HRRTF, there would be no remaining amounts to distribute to the other localities effective July 1, 2020.

[1] <https://law.lis.virginia.gov/vacode/title58.1/chapter8/>

[2] <https://law.lis.virginia.gov/vacode/33.2-2400/>

[3] <https://law.lis.virginia.gov/vacode/title33.2/chapter26/>

[4] <https://budget.lis.virginia.gov/get/budget/4186/>