

DEPARTMENT OF TAXATION

2025 Fiscal Impact Statement

1. **Patron** Paul V. Milde

3. **Committee** House Finance

4. **Title** Tax increment financing; Use of other local taxes

2. **Bill Number** HB 2147

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

The bill would authorize the governing body of a county, city, or town to apply tax revenues from sources other than real estate taxes for use in tax increment financing ("TIF") of development projects. The bill would provide that the local taxes eligible for application include local sales and use taxes, merchants' capital taxes, license taxes, admissions taxes, transient occupancy taxes, meals taxes, and other local taxes and fees for utilities and transportation purposes. The bill would allow the governing body to choose any or all of such taxes to be applied.

Under current law, only real estate tax revenues are specifically authorized to be used for such projects.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

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

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

The bill would have an unknown impact on local administrative costs in localities that choose to exercise the authority granted by the bill.

The bill would have no impact on state administrative costs.

Revenue Impact

The bill would have an unknown impact on local revenues in localities that choose to exercise the authority granted by the bill.

The bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No.

11. Other comments:

Background

Tax Increment Financing is a program whereby a local governing body works with a developer to provide financing through local bonds for projects designed to revitalize or redevelop designated areas.

The financing functions by using taxes attributable to the increased value between the most current assessed value of any parcel of real estate in the development project area and the assessed value of such real estate before the project (the base value) to pay the principal and interest on obligations issued for the development project. Such financing can also be used to pay commitments entered into to finance the development project costs.

Proposal

The bill would authorize the governing body of a county, city, or town to apply tax revenues from sources other than real estate taxes for use in development project TIF. The bill would provide that the local taxes eligible for application include local sales and use taxes, merchants' capital taxes, license taxes, admissions taxes, transient occupancy taxes, meals taxes, and other local taxes and fees for utilities and transportation purposes. The bill would allow the governing body to choose any or all of such taxes to be applied.

The bill would also require that the amount of revenues to be so used shall be the amount of the increase of such taxes collected in the development project area in a given year compared with the base amount of revenues prior to the establishment of such area.

The bill would also amend the definition of "tax increment" to include the amount by which current tax receipts of other local taxes exceeds the base year tax receipts.

The bill would define "base year tax receipts" as the amount of other local tax receipts generated for the locality within a development project area for the tax year preceding the effective date of the ordinance creating the development project area and allocating other local tax revenues for the TIF.

The bill would define "current tax year receipts" as the annual amount of other local tax receipts generated for the locality within a development project area.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

cc : Secretary of Finance

Date: 01/15/2025 VB
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