Department of Planning and Budget
2025 General Assembly Session
State Fiscal Impact Statement

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Bill Number: HB2048 **Patron:** Anthony

Bill Title: Virginia Housing Trust Fund; Virginia housing opportunity tax credit; community investment tax credit.

Bill Summary: Requires the Department of Housing and Community Development (DHCD) to conduct an annual geographic equity assessment to identify distressed localities that have historically received less investment for housing and economic development. The bill modifies allocation allowances in the Virginia Housing Trust Fund. The bill extends the Virginia housing opportunity tax credit through taxable year 2030 and provides that $12 million of such credits shall be allocated to a distressed locality as identified by the geographic equity assessment. The bill further states that no more than $18 million of such credits may be allocated to a single locality unless such locality is experiencing a severe housing shortage. The bill establishes the community investment tax credit, which allows a taxpayer to claim a nonrefundable income tax credit for amounts invested in eligible projects. The amount of the credit shall be no more than 10 percent of the total investment amount, up to $500,000, per taxpayer per taxable year.

Budget Amendment Necessary: **YES** **Items Impacted:** **Page 1, Revenue Estimates; Items 102 (DHCD); 258 (TAX); and 260 (TAX)**

Explanation: This bill involves DHCD; the Department of Taxation (TAX); and the Virginia Housing Development Authority (VHDA). Amendments would be required to carry out the requirements of the bill. See the “Fiscal Analysis” section, below.

Fiscal Summary: This fiscal impact statement is preliminary. It is anticipated that this bill will result in an expenditure impact to DHCD and TAX, and in a general fund revenue impact to the Commonwealth, a portion of which cannot be determined. The bill extends the Housing Opportunity Tax Credit (HOTC), establishes the new Community Investment Tax Credit (CITC), and requires a new annual assessment by DHCD.

General Fund Expenditure Impact:

Agency	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
DHCD	$0	$161,000	$161,000	$161,000	$161,000	$161,000
TAX	$0	$304,755	$304,755	$304,755	$304,755	$304,755
TOTAL	**$0**	**$465,755**	**$465,755**	**$465,755**	**$465,755**	**$465,755**

Position Impact:

Agency	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
DHCD (GF)	0	1	1	1	1	1
TAX (GF)	0	1	1	1	1	1
TOTAL	**0**	**2**	**2**	**2**	**2**	**2**

Fiscal Analysis: DHCD anticipates an annual fiscal impact of $161,000 as a result of this bill, including $121,000 for one FTE, and $40,000 for the new assessment. The agency currently has one FTE dedicated to administering its Communities of Opportunity Tax Credit program. Based on this experience, DHCD anticipates that the modified allocation of tax credits in the bill requires that the agency establish a parallel program. Tasks in the new program include creation and maintenance of guidance resources, application documents, and evaluation of applications. These tasks are not absorbable and require one FTE. DHCD is able to absorb supervisory tasks into existing programmatic resources. Depending on the size of the program, which the current bill does not cap, an additional program administrator may be needed. At a minimum, one program administrator will be needed, resulting in a fiscal impact of $121,000.

The bill also requires that DHCD conduct an annual geographic equity assessment to identify distressed localities that have historically received less investment for housing and economic development. DHCD anticipates the cost of the additional data required to complete this requirement is $40,000, including the cost of data processing.

TAX anticipates an annual fiscal impact totaling $304,755 as a result of this bill. Costs include tax processing and the addition of one new full-time employee.

VHDA is allowed under the HOTC Act to charge an administrative fee to developers awarded the credits, and that administrative fee offsets their costs. In addition, VHDA is self-supporting and does not receive state appropriation.

As drafted, the bill has no revenue impact corresponding to the extension HOTC extension. Given that the intent of the bill is to extend HOTC to taxable year 2030, the overall program cap on Line 148 requires an amendment for a commensurate cap increase, which is estimated by TAX to result in a general fund revenue reduction of $6 million in FY 2028, $12 million in FY 2029, and $18 million in FY 2030.

TAX cannot at this time determine the revenue impact of the new CITC. The bill sets a cap of $500,000 per taxpayer per taxable year for the CITC; however, it does not set an aggregate cap to be used per taxable year. In addition, it is not known how many taxpayers would be eligible for this credit as it is not known how many projects would qualify as an “eligible project.” Therefore, the revenue impact for this portion of the bill is indeterminate.

Other: The bill extends the HOTC but does not increase the cap for the program in line 148.