



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 581

PRINTERS NO. 1004

PRIME SPONSOR: Solomon

### COST / (SAVINGS)

FUND	FY 2020/21	FY 2021/22
General Fund	\$0	See Fiscal Impact

**SUMMARY:** House Bill 581, Printer's Number 1004, creates a freestanding act authorizing local taxing authorities to provide for tax exemptions for improvements to deteriorated areas and dwellings to incentivize the creation and improvement of affordable housing units.

**ANALYSIS:** This legislation creates the Affordable Housing Unit Tax Exemption Act providing options authorizing local taxing authorities (LTAs) to abate property taxes in order to encourage the development of affordable housing.

An LTA may grant a real property tax exemption to low-income taxpayers for the real estate liability attributable to a real estate tax rate increase or an increase in the assessed value of the taxpayer's homestead occurring after the effective date of the ordinance or resolution. A "low-income taxpayer" is a taxpayer whose income does not exceed the maximum annual income allowable for an eligible claimant to participate in the Pharmaceutical Assistance Contract for the Elderly Needs Enhancement Tier (PACENET).

Additionally, an LTA may provide for up to a ten-year real-estate tax exemption schedule for new construction or improvements to affordable housing units existing in designated deteriorated areas as determined by the LTA. Two or more municipal corporations may join together for the purpose of determining the boundaries of a deteriorated area and establishing the uniform maximum cost per unit. Each municipal corporation shall cooperate fully with each other

Finally, an LTA may provide for a two-year real estate tax exemption schedule, for new construction or improvements to affordable housing units existing anywhere within its boundaries.

An "affordable housing unit" is defined as a (1) multiunit residential dwelling where at least 30% of the residential units are rent-restricted and occupied by an individual or family whose income is not more than 60% of area median income and (2) a single family residence that is subject to deed restrictions and occupied by an individual or family whose income is not more than 60% of the area median gross income.

The act shall take effect in 60 days.

**FISCAL IMPACT:** Enactment of this legislation will have no adverse fiscal impact on Commonwealth funds. Any reductions in local tax revenues during an abatement period is at the discretion of the local taxing authority.

**PREPARED BY:** Ritchie LaFaver  
House Appropriations Committee (R)

**DATE:** April 20, 2021

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*