



March 16, 2024

SUMMARY OF BILL: Entitles local governments that adopt certain zoning reform strategies to receive from the Department of Revenue (DOR) between five percent to twenty percent of the revenue collected from the recordation tax based on transactions in the respective jurisdiction.

FISCAL IMPACT:

Other Fiscal Impact – The extent and timing of any increase in state expenditures and corresponding permissive increase in local revenue cannot be reasonably determined. Additionally, a permissive increase in local expenditures cannot be estimated.

Assumptions:

- To qualify to receive additional recordation tax revenue, local governments must adopt certain zoning reform strategies that support housing development, including:
 - Allowing duplexes, quadplexes, townhouses, and cottage courts on lots zoned for single-family homes;
 - Reducing or eliminating:
 - Minimum lot sizes, provided there is sufficient sewer access;
 - Setback requirements;
 - Minimum parking requirements to one parking space per unit or fewer;
 - Requirements on aesthetics, bulk stands, and floor area ratio that either reduce density or inhibit development;
 - Making available pre-approved plans or a pattern book, and lists of third-party professionals authorized to review permit applications or conduct inspections.
 - Zoning that allows:
 - Development of tiny houses;
 - At least a certain minimum housing density on main streets and transit corridors, and near workplaces, business districts, colleges, and other population centers.
 - Authorizing faith institutions, universities, and healthcare facilities to build multifamily housing by right on their existing land, provided there is sufficient sewer access.
- For each zoning reform strategy adopted, a local government is entitled to receive between five and twenty percent of the recordation tax collected in its jurisdiction.

- A local government is required to provide the DOR with certified copies of the resolution or ordinance adopting the zoning reform strategies; adoption of any resolution or ordinance will occur at a regularly scheduled meeting of the local legislative body. Any increase in local expenditures is not significant.
- The recordation tax is a tax on two separate privileges: a realty transfer tax and a mortgage tax.
- According to DOR, statewide collection for realty transfer and realty mortgage taxes in FY22-23 was \$388,489,293. Depending on the number of zoning reform strategies local governments adopt, the proposed legislation could result in a recurring increase in state expenditures of up to \$77,697,848, assuming that each local government adopts a sufficient number of zoning reform strategies to qualify for the full 20 percent.
- County registers of deeds remit the recordation tax to the DOR, but do not provide any detail that would allow the department to determine how much recordation tax is collected within the city limits. Any increase in state or local expenditures to make changes necessary to capture such information cannot be estimated.
- It is unknown how many local governments will adopt zoning reform strategies and receive a larger portion of the recordation tax from their jurisdiction. A precise increase in state expenditures and corresponding increase in local revenue cannot be estimated.
- Local governments may incur permissive expenditures relative to the cost of pursuing the zoning reform strategies; however, any permissive increase in local expenditures cannot be reasonably estimated. Additionally, the extent to which increased revenue from the recordation tax may offset such expenditures is not known.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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