

# EXPANSION OF IMPACT FEES (TAXES)

The Home Builders Association of Virginia (HBAV) “OPPOSES” any expansion of the authority of local governments to impose impact “taxes”. An expansion of the authority to “tax” new home buyers for public education or other infrastructure needs would be a major change in policy for the Commonwealth by allowing local governments to shift the burden of financing infrastructure from the public to the private sector. Public education, public libraries, public roads, parks, etc. are, and should continue, as a public responsibility which should be supported by broad-based revenue sources, not by a new “tax” that would be applicable only to new homes.

HBAV “OPPOSES” an expansion of the ability of local governments to impose impact fees or new home “taxes” for the following reasons:

- Impact “taxes” are based upon the **false assumption** that purchasers of new homes are all “outsiders” who have not paid their “fair share” for local school facilities. Statistics indicate that approximately **60%** or more of new home purchasers are **existing residents** of the community who are already paying to finance and provide infrastructure.
- The imposition of an impact “tax” on existing residents purchasing new homes is a **double “tax”** since these residents are already paying their fair share of state and local “taxes” to support the infrastructure needs of their city or county.
- Impact “taxes” are **discriminatory** when applied only to new home construction since persons moving into the community and buying existing homes are exempt from the “tax”.
- Impact “taxes” are a hidden tax against new home buyers. Impact “taxes” are hidden since they are levied and collected administratively in the planning and permitting process. However, the “tax” ultimately falls directly upon the new home buyer and must be financed in the cost of the home.
- Since the impact “tax” does not represent additional value to the property, it is doubtful whether lenders will consider this added charge when establishing loan to value ratios, thus making it more difficult for borrowers to qualify for mortgage loans.
- **Impact “taxes” are not a dependable source of revenue** (they will fluctuate with local economic conditions) and can not be utilized to finance infrastructure needs in this era where new school costs begin in the \$10 million range and often exceed \$30 million.
- New impact “taxes” on new homes will also increase the cost of existing housing (the market place at work) thus making home ownership more expensive for Virginians.
- Since impact “taxes” are collected as a “fee” they are not recognized as a tax for purposes of Federal and State income tax deductions - other revenue sources could be used for infrastructure finance which would be deducted (i.e. state income tax).

The governing bodies of local governments from throughout the Commonwealth should exercise true leadership and petition the Virginia General Assembly for the authority to impose new broad-based “taxes” to fund or finance their individual infrastructure needs or encourage members of the Virginia General Assembly to increase state funding for school construction and other infrastructure needs through the annual appropriations process.

Development and new home construction does not create the growth of the community nor does it create the demand for expanded infrastructure - essentially the demand for expanded infrastructure and housing (both new and resale homes) are caused by the same things - job growth and new household formations (resulting from divorce and also children leaving the parent’s home and taking jobs in the same, or nearby communities). They should not attempt to impose new hidden “taxes” on the purchasers of new homes. **Home ownership should remain an attainable dream for every Virginian.**