

**DEPARTMENT OF TAXATION  
2001 Fiscal Impact Statement**

1. **Patron** Ware

3. **Committee** House Finance

4. **Title** Individual Income Tax: Credit for Tolls Paid  
on Any Toll Road in the Commonwealth

2. **Bill Number** HB 2852

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

5. **Summary/Purpose:**

This bill would create an individual income tax credit for the tolls paid for the use of any highway within the Commonwealth. The credit would be limited to payments made via tokens or electronic toll collection (ETC). The credit would be nonrefundable and have a carryover period of five years.

This bill would be effective for taxable years beginning on and after January 1, 2001.

6. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

**6b. Revenue Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2000-01	\$0	GF
2001-02	<\$34.7 million>	GF
2002-03	<\$37.0 million>	GF

7. **Budget amendment necessary:** Yes.

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8. **Fiscal implications:**

While this bill does have costs associated with systems development, these cannot be ascertained at this time. The cost for implementing a **single** piece of legislation cannot be calculated precisely due to economies of scale. The actual cost to implement **all** legislation enacted during a given session will more than likely be less than the sum of the costs attributed to individual bills. Further, the ability to accurately predict costs is complicated because TAX is replacing its current database system. As a result, legislative changes may need to be made to both the current and the future system, depending on the effective date. Therefore, TAX is not providing specific systems costs

for this bill, but will calculate the total for all tax bills once they have been acted upon favorably in both houses and prior to the conference committee report. Other administrative costs to implement this bill would be minimal.

This bill would decrease General Fund revenue estimates by \$34.7 million in FY 2002 and \$37.0 million in FY 2003. These estimates were based on information provided by the Richmond Metropolitan Authority (RMA), the Virginia Department of Transportation (VDOT), and the Dulles Greenway. Each organization provided historic data of toll revenue which was broken down between cash, electronic tolls, and tokens. VDOT and the Dulles Greenway also supplied their budget forecasts of toll revenues.

**9. Specific agency or political subdivisions affected:**

Department of Taxation

**10. Technical amendment necessary:** None.

**11. Other comments:**

This bill would provide individuals, who pay tolls through the use of tokens or ETC payments, with a credit against their income tax equal to the toll amounts paid during the year for the use of any highway located in the Commonwealth of Virginia.

Qualifying payments would be in the form of tokens or electronic toll collection payments. "Electronic toll collection payments" are defined as amounts that are properly deducted from the individual's user account each time the individual's vehicle passes through the toll collection facility, by means of a transponder or other electronic vehicle identification system. Cash payments of tolls would not qualify for this credit.

The credit would be available for taxable years beginning on and after January 1, 2001. The credit would be nonrefundable. Unused credits could be carried over for five succeeding taxable years until used. Any credits that are unused at the end of the five-year period would expire. Unused credits could not be carried back.

The following facilities currently use an ETC system: Dulles Toll Road, Dulles Toll Road Extension, the Coleman Bridge, the RMA and the Powhite Parkway Extension. Currently, tokens are only available for use at certain RMA locations.

**Other Tax Relief Currently Available**

Under federal law, individuals who have unreimbursed employee expenses for tolls may deduct such amounts as itemized deductions. The amount, however, is limited to the excess of all the allowable expenses that exceed 2% of the individual's federal adjusted gross income. In addition, individuals are entitled to deduct toll expenses in calculating their business income. A deduction is not available, however, for toll amounts paid to commute from a person's home to his place of business or employment. As a

conformity state, the allowable federal deductions would flow through on the individual's Virginia return. Consequently, the proposed bill could potentially provide a double benefit to those taxpayers who deduct toll payments as an employee business expense or to offset business income.

cc: Secretary of Finance

**Date:** 1/26/01/CT

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