

DEPARTMENT OF TAXATION

2003 Fiscal Impact Statement

1. **Patron** Landes

3. **Committee** Senate Finance

4. **Title** Income Tax: Subtraction for Payments
Received by Contract Poultry Growers
and Table Egg Producers

2. **Bill Number** HB 2554

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would create an individual and corporate income tax subtraction for indemnification payments received by qualified contract poultry growers and table egg producers as a result of the depopulation of poultry flocks because of avian influenza in 2002.

This bill would be effective for taxable years beginning on and after January 1, 2002, but before January 1, 2005.

This bill contains an emergency clause and would be effective upon passage.

This is a Commerce and Trade bill.

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

6b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2002-03	<\$400,000>	GF
2003-04	<\$400,000>	GF
2004-05	\$0	GF

7. **Budget amendment necessary:** No.

8. **Fiscal implications:**

The estimated revenue loss associated with this bill would be \$400,000 in Fiscal Year 2003 and Fiscal Year 2004. Passage of this bill is assumed in the Executive Budget. If this bill is not enacted, the General Fund revenues forecast would have to be increased by this amount.

The Department would incur minimal administrative costs as a result of this bill.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: None.

11. Other comments:

The pathogenic avian influenza outbreak in Virginia in the spring of 2002 resulted in losses to poultry growers and producers. The outbreak affected 197 farms in six counties and resulted in the depopulation of 4.7 million birds. The U.S. Department of Agriculture will make indemnification payments to poultry growers and poultry owners as a result of the depopulation of poultry flocks because of the avian influenza outbreak.

- Contract poultry growers will be paid 100% of the estimated value of the birds if the disease had not occurred, minus any interim payments from owners (poultry producers).
- Owners will be compensated at 50% of the value of the birds plus destruction and disposal costs, minus any salvage value.

This bill would create an individual and corporate income tax subtraction for the indemnification payments received by contract poultry growers and table egg producers. Indemnification payments made to owners of poultry who contract with poultry growers would not qualify for this subtraction.

This bill would be effective for taxable years beginning on and after January 1, 2002, but before January 1, 2005.

Other Legislation

Senate Bill 1026 is identical to this bill.

cc : Secretary of Finance

Date: 01/28/03 DTM

Document : S:\2003leg\WorkInProgress\OTPwork\House Bills\hb2554FE161.doc