

DEPARTMENT OF TAXATION

2003 Fiscal Impact Statement

1. **Patron** Hull

3. **Committee** House Finance

4. **Title** Individual Income Tax: Deletes
Obsolete Language

2. **Bill Number** HB 2828

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would delete obsolete language in the tax code that temporarily deconformed Virginia from the federal deduction for one-half of self-employment taxes paid. As these provisions have now expired, they are no longer necessary.

The effective date of this bill is not specified.

6. **Fiscal Estimates are:** None.

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

8. **Fiscal implications:** None.

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

Department of Taxation

10. **Technical amendment necessary:** Yes.

When Virginia deconformed from the federal deduction for one-half of self-employment taxes paid, it did so through a series of additions and subtractions. This bill only deletes the obsolete language with respect to the subtractions. In order to delete all obsolete language involving the federal self-employment tax deduction, the following amendment to delete the language that references the addition is necessary.

Page 1, Line 30, At the beginning of the line

Strike: ~~8. For taxable years beginning on and after January 1, 1990, and before January 1, 1994, any amount of self-employment tax deduction under § 164 (f) of the Internal Revenue Code; and~~

11. Other comments:

This bill would delete obsolete language that temporarily deconformed Virginia from the federal deduction for one-half of self-employment taxes paid. For taxable years 1990 through 1993, taxpayers were required to add back the federal deduction in computing their Virginia tax. However, these additions were recovered in full when the taxpayers filed their taxable year 1994 through 1997 returns.

Federal Law

For taxable years beginning on and after January 1, 1990, federal law provided self-employed individuals a deduction for income tax purposes of one-half of Social Security self-employment taxes paid. This provision was enacted as part of the Social Security Amendments Act of 1983 in order to place self-employed individuals and corporations on an equal footing for purposes of Social Security contributions and income tax deductions attributable to those contributions.

cc : Secretary of Finance

Date: 01/21/03/TST

Document : S:\2003leg\WorkInProgress\OTPwork\House Bills\HB2828FIS161.doc