

# DEPARTMENT OF TAXATION

## 2004 Fiscal Impact Statement

1. **Patron** Robert B. Bell

2. **Bill Number** HB 662

3. **Committee** House Finance

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Individual Income Tax: Tax Credit for Certain Parents

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would permit a married couple filing a joint return to claim a \$50 credit against the income tax owed to Virginia if one spouse remains at home specifically to raise a child under the age of 16.

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

6. **Fiscal Impact Estimates are:** Not Available. (See Line 8.)

#### 6a. **Expenditure Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2003-04	\$0	GF
2004-05	\$75,800	GF
2005-06	\$171,260	GF
2006-07	\$8,210	GF
2007-08	\$8,456	GF
2008-09	\$8,710	GF
2009-10	\$8,972	GF

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

ITEM(S): 284 and 286, Department of Taxation

8. **Fiscal implications:**

#### **Administrative Impact**

This bill would result in administrative costs of \$75,800 in FY 2005, \$171,260 in FY 2006, \$8,210 in FY 2007, \$8,456 in FY 2008, \$8,710 in FY 2009, and \$8,972 in FY 2010 for systems development and the creation of an additional form and additional instructional material for the credit.

## **Revenue Impact**

This bill would have an unknown impact on General Fund revenue. However, based upon available information, this bill could decrease General Fund revenue by \$1.9 million in FY 2005, \$3.5 million in FY 2006, \$3.3 million in FY 2007, \$3.1 million in FY 2008, \$2.8 million in FY 2009, \$2.5 million in FY 2010. However, because of limitations with the data source, the actual cost of the credit may be less.

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

Department of Taxation  
Virginia Employment Commission  
Workers' Compensation Commission  
Department of Social Services

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

As this bill does not specify whether the adjusted gross income to be measured is federal adjusted gross income or Virginia adjusted gross income, the following technical amendment is suggested:

Page 1, Line 16; After (i) the  
Insert: Virginia

### **11. Other comments:**

This bill would allow a married couple with one spouse remaining at home to raise a child to claim a \$50 credit against Virginia income tax. The credit is limited to married couples filing a joint return reporting no more than \$60,000 of adjusted gross income. One spouse must remain at home specifically to raise a child who is under the age of 16, and the stay at home spouse may not receive public assistance, unemployment insurance, or workers' compensation in the year in which the credit is claimed.

This credit is non-refundable and does not have a carryover feature. Therefore, it can be used to offset tax liability, but not to create a refund or a carryover credit if a taxpayer has no tax liability or a tax liability of less than \$50.

cc : Secretary of Finance