

**DEPARTMENT OF TAXATION  
2005 Fiscal Impact Statement**

**1. Patron** John H. Chichester

**2. Bill Number** SB 867

**3. Committee** Passed House and Senate

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

**4. Title** Corporate Income Tax Relief Report

**Second House:**

           **In Committee**

           **Substitute**

  X   **Enrolled**

**5. Summary/Purpose:**

This bill would require the Tax Commissioner to compile annual reports detailing the amount of corporate income tax relief granted in the Commonwealth and issue the report to the members of the House Appropriations Committee, the House Finance Committee, and the Senate Finance Committee. A preliminary report would be submitted to the committees by December 1 of 2006 and each year thereafter. The Tax Commissioner would submit the final report by April 15 of the subsequent year.

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

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

**8. Fiscal implications:**

There would be no revenue impact as a result of this bill.

The Department would incur costs of \$90,000 for Fiscal Year 2007 and minimal costs for Fiscal Year 2008 and thereafter to implement this bill, including necessary systems changes.

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

Department of Taxation

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

**11. Other comments:**

Under this bill the Tax Commissioner would be required to prepare an annual report detailing the amount of income tax relief granted to corporations in the Commonwealth. The report would include the total dollar amount of income tax subtractions, deductions, exclusions, exemptions and credits claimed cumulatively by corporations.

The Tax Commissioner would issue the report on an annual basis to the members of the House Appropriations Committee, the House Finance Committee, and the Senate Finance Committee. A preliminary report would be due by December 1 of 2006 and each year thereafter, with a final report to follow by April 15 of the subsequent year.

The report will not reflect all of the exemptions and exclusions available to corporations because not all of them are reported on Virginia income tax returns. For example, a corporation that receives interest on Virginia obligations would exclude the interest from federal taxable income and, therefore, no indication of this exclusion would appear in the Virginia income tax return.

Additionally, many pass through entities such as Subchapter S corporations, limited liability companies, and partnerships earn the same tax relief provisions granted to corporations. The subtractions, deductions, exclusions, exemptions and credits are reported on individual income tax returns.

cc : Secretary of Finance

Date: 3/9/2005 AMS  
SB867FER161