

DEPARTMENT OF TAXATION

2006 Fiscal Impact Statement

1. **Patron** Vincent F. Callahan, Jr.

2. **Bill Number** HB 407

3. **Committee** Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Income Tax: Expansion of Exceptions to
Secrecy of Tax Information and the Duties
of the Tax Commissioner

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would authorize the Department of Taxation ("TAX") to provide the Department of Social Services ("DSS"), upon written request, information on taxpayers who have applied for public assistance or social services benefits regarding such taxpayers' income tax filing status, number and type of dependents, and use of the federal earned income tax credit. This bill would also require TAX to obtain information from each income taxpayer regarding whether the federal earned income tax credit was claimed and, if taken, the amount of such credit and provide it to DSS. This information would not be required to be collected if it could be calculated based on other information available in the income tax return of the taxpayer.

In order to assist TAX in completing these tasks, this bill would authorize DSS to disseminate client information to TAX so that TAX could correctly identify those taxpayers who have applied for public assistance or social services benefits.

The effective date of this bill is not specified.

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

6a. **Expenditure Impact:**

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Fund</i> |
|---------------------------|-----------------------|--------------------|
| 2005-06 | \$0 | GF |
| 2006-07 | \$128,325 | GF |
| 2007-08 | \$0 | GF |
| 2008-09 | \$0 | GF |
| 2009-10 | \$0 | GF |
| 2010-11 | \$0 | GF |
| 2011-12 | \$0 | GF |

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

8. Fiscal implications:

TAX would incur costs of \$128,325 for FY 2007 for forms development and systems modifications. This bill would require TAX to obtain earned income tax credit information that is not needed for the administration of Virginia's income tax, and to modify its systems to capture and share this information with DSS. These costs were reflected in the House and Senate reported budgets.

This bill would have no revenue impact.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Social Services

10. Technical amendment necessary: No.

11. Other comments:

Federal Earned Income Tax Credit

The Earned Income Tax Credit (EITC) is a refundable federal income tax credit for low-income working individuals and families. Congress originally approved the tax credit legislation in 1975 in part to offset the burden of social security taxes and to provide an incentive for employment. To qualify, taxpayers must meet certain requirements and file a tax return, even if they did not earn enough money to be obligated to file a tax return.

For 2005, in order to be eligible for the credit, the earned income and the adjusted gross income of the taxpayer must each be less than \$35,263 (\$37,263 married filing jointly) for those with two or more qualifying children, \$31,030 (\$33,030 married filing jointly) for those with one qualifying child, and \$11,750 (\$13,750 married filing jointly) for those with no qualifying children.

Proposal

This bill would authorize the Department of Taxation ("TAX") to provide the Department of Social Services ("DSS"), upon written request, information on taxpayers who have applied for public assistance or social services benefits regarding such taxpayers' income tax filing status, number and type of dependents, and use of the federal earned income tax credit. This bill would also require TAX to obtain information from each income taxpayer regarding whether the federal earned income tax credit was claimed and, if taken, the amount of such credit and provide it to DSS. This information would not be required to be collected if it could be calculated based on other information available in the income tax return of the taxpayer.

In order to assist TAX in completing these tasks, this bill would authorize DSS to disseminate client information to TAX so that TAX could correctly identify those taxpayers who have applied for public assistance or social services benefits.

This bill would only allow DSS to provide information on customers on file with DSS to TAX. In addition, TAX would only be allowed to provide information on taxpayers who have claimed the federal earned income tax credit to DSS.

The effective date of this bill is not specified.

Other Legislation

Senate Bill 42 is identical to this bill.

cc : Secretary of Finance

Date: 03/06/2006 AMS
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