

**DEPARTMENT OF TAXATION
2006 Fiscal Impact Statement**

1. **Patron** David A. Nutter

2. **Bill Number** HB 422

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Individual Income Tax; Increasing the
Personal Exemption Amount

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would increase the Virginia individual income tax personal and dependent exemption amount from \$900 to \$1,000 for taxable years beginning on or after January 1, 2007.

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	\$67,500	GF
2007-08	\$0	GF
2008-09	\$0	GF
2009-10	\$0	GF
2010-11	\$0	GF
2011-12	\$0	GF

6b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2005-06	\$0	GF
2006-07	(\$15.6 million)	GF
2007-08	(\$31.7 million)	GF
2008-09	(\$31.5 million)	GF
2009-10	(\$31.5 million)	GF
2010-11	(\$31.7 million)	GF
2011-12	(\$31.8 million)	GF

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

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8. Fiscal implications:

While much of this bill can be implemented as part of the annual changes to our systems and forms, the Department would incur costs of \$67,500 in FY 2007 to print and mail withholding tables to employers.

This bill would result in a negative revenue impact of \$15.6 million for FY 2007, \$31.7 million for FY 2008, \$31.5 million for FY 2009, \$31.5 million for FY 2010, \$31.7 million for FY 2011 and \$31.8 million for FY 2012.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Effective for taxable year 2005, Virginia increased the deduction from \$800 to \$900 for each personal and dependent exemption allowed on a taxpayer's federal income tax return. An additional exemption amount of \$800 is allowed for taxpayers who are blind or age 65 and over.

Comparison to Federal Law

Since 1989, the Internal Revenue Service (IRS) has indexed the personal exemption allowed on the federal individual income tax return. The personal exemption amount for federal purposes has increased from \$2,000 for 1989 to \$3,200 for 2005.

Proposed Legislation

This bill would increase the Virginia individual income tax personal and dependent exemption amount from \$900 to \$1,000 for taxable years beginning on or after January 1, 2007. The additional exemption for taxpayers who are blind or age 65 and over would remain at \$800.

Other Legislation

House Bill 86 would also increase the exemption to \$1,000, but it would become effective for taxable years beginning on and after January 1, 2006.

cc : Secretary of Finance

Date: 01/16/2006 AMS
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