

# DEPARTMENT OF TAXATION

## 2006 Fiscal Impact Statement

1. **Patron** Vivian E. Watts

2. **Bill Number** HB 579

3. **Committee** House Finance

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Individual Income Tax: Deduction for  
Individuals of Incarcerated Family  
Members

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

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

This bill would create an individual income tax deduction of a \$1,000 for individuals who have a parent, spouse, or child who normally resides in the same home but who is incarcerated in a Virginia correctional facility for nine months or more in a taxable year.

This bill is effective for taxable years beginning on or after January 1, 2007.

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

### 6b. **Revenue Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2005-06	\$0	GF
2006-07	(\$0.84 million)	GF
2007-08	(\$1.75 million)	GF
2008-09	(\$1.79 million)	GF
2009-10	(\$1.85 million)	GF
2010-11	(\$1.91 million)	GF
2011-12	(\$1.97 million)	GF

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

Page 1, Revenue Estimates

### 8. **Fiscal implications:**

This bill would generate a general fund revenue loss of \$840,000 in FY 07, \$1.75 million in FY 08, \$1.79 million in FY 09, \$1.85 million in FY 10, \$1.91 million in FY 11, and \$1.97 million in FY 12. These numbers were calculated by projecting the number of inmates incarcerated during the fiscal years and multiplying appropriate demographic statistics provided by the Department of Justice. The revenue impact above is likely an upper bound, as taxpayers that may be eligible to claim the deduction may not be required to file a return.

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

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

Department of Taxation

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

To eliminate the possibility of several taxpayers in a household claiming a deduction for the same incarcerated person, the following amendment is suggested:

Page 5, Line 267, after year.

Insert: Only one deduction may be claimed with respect to an incarcerated person and the Tax Commissioner shall by regulation provide rules for determining the household in which an incarcerated person normally resides and which taxpayer in the household may claim the deduction.

**11. Other comments:**

Proposal:

This bill, for taxable years beginning on or after January 1, 2007, would create a deduction in the amount of \$1,000 to any individual who has a parent, spouse or child who normally resides in the same household as the taxpayer but who is incarcerated for no less than nine months in one of the Commonwealth's correctional facilities during such taxable year.

cc : Secretary of Finance

Date: 01/17/2006 PTR  
HB579F161.doc