

DEPARTMENT OF TAXATION

2006 Fiscal Impact Statement

1. **Patron** William H. Fralin, Jr.

3. **Committee** House Finance

4. **Title** Individual Income Tax: Credit for Toll Payments

2. **Bill Number** HB 802

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would provide an individual and corporate income tax credit to a taxpayer who owns and operates commercial vehicles equal to 25% of the amount paid for the use of any highway while operating the vehicle in Virginia through the purchase of tokens or electronic toll collection payments.

This bill would be effective for taxable years beginning on and after January 1, 2007.

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

6b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2005-06	\$0	GF
2006-07	(\$1.3 million)	GF
2007-08	(\$2.5 million)	GF
2008-09	(\$2.5 million)	GF
2009-10	(\$2.5 million)	GF
2010-11	(\$2.5 million)	GF
2011-12	(\$2.5 million)	GF

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

8. **Fiscal implications:**

This bill would result in a revenue loss of \$1.3 million in FY 07, and \$2.5 million in each year of FY08-12.

Approximately \$94.5 million in total electronic toll revenue was collected in calendar year 2005. It was assumed that commercial taxpayers make approximately 12% of electronic toll payments. Out of state commuters make up approximately 1% of electronic toll payments.

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: No.

11. Other comments:

Proposal

This bill would provide an income tax credit to a taxpayer who owns and operates commercial vehicles equal to 25% of the amount paid for the use of any highway while operating said vehicles in Virginia. The credit would apply to tolls paid via tokens or electronic toll collection payments. The credit would not apply to cash toll payments. Any excess credit can be carried over for the next five years.

Electric toll collection payments are amounts properly deducted from a user's account through a toll payment system that automatically deducts the amount of the toll from an account each time the taxpayer's vehicle passes through the toll collection facility, by means of a transponder or other electronic vehicle identification system.

The bill does not define the term “commercial vehicles.” The Code of Virginia has different definitions for different purposes.

Because Virginia conforms to federal terminology, any deduction permitted on the federal level in calculating federal adjusted gross income will flow through to Virginia taxable income. Electronic toll collection payments made by an individual may also be properly deducted as a business expense in certain situations. This may result in a double benefit, allowing a deduction for toll collection payments as a qualified business expense in calculating federal adjusted gross income, as well as a tax credit against any Virginia income tax owed.

Other Legislation

HB 270 would provide an income tax credit to an individual who makes electronic toll collection payments for the use of any highway in Virginia. The amount of the credit would be equal to 10% of the amount paid during the taxable year.

cc : Secretary of Finance

Date: 01/30/2006 PTR
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