

# DEPARTMENT OF TAXATION

## 2006 Fiscal Impact Statement

1. **Patron** Mark R. Herring

3. **Committee** Senate Finance

4. **Title** Income Tax; Toll Payment Tax Credit

2. **Bill Number** SB 5024

**House of Origin:**

  X   **Introduced**

      **Substitute**

      **Engrossed**

**Second House:**

      **In Committee**

      **Substitute**

      **Enrolled**

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

This bill would provide an individual income tax credit to any taxpayer who makes electronic toll collection payments for the use of any highway in the Commonwealth. The amount of the credit is equal to 10% of the amount paid as evidenced by receipts for such use. If the amount of credit exceeds the individual's liability, the balance may be carried forward for up to five years.

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

6. **No Fiscal Impact or Fiscal Impact Estimates are:** Not available. (See Line 8.)

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

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2006-07	\$0	GF
2007-08	(\$6.8 million)	GF
2008-09	(\$6.8 million)	GF
2009-10	(\$6.8 million)	GF
2010-11	(\$6.8 million)	GF
2011-12	(\$6.8 million)	GF

7. **Budget amendment necessary:** No

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

This bill would result in a revenue loss of \$6.8 million annually in fiscal year 2008 and thereafter. Approximately \$94.5 million in total electronic toll revenue was collected in calendar year 2005. This estimate relies on the following assumptions: 1) individual taxpayers make approximately 88% of electronic toll payments; and 2) Out of state commuters make up approximately 7% of electronic toll payments. Adjustments were made to control for estimated growth in highway traffic and the estimated number of Virginia residents who would not file or be able to use the credit.

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.

**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 an individual who makes electronic toll collection payments paid for the use of any highway in Virginia. The amount of the credit is equal to 10% of the amount paid during the taxable year.

Any excess credit can be carried over for the next five years. The credit would not apply to cash toll payments.

Electronic toll collection payments are amounts properly deducted from an individual'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.

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.

This bill is identical to **HB 5051**.

cc : Secretary of Finance

Date: 09/22/2006 JOC