

DEPARTMENT OF TAXATION

2007 Fiscal Impact Statement

1. **Patron** Benjamin L. Cline

2. **Bill Number** HB 3022

3. **Committee** Senate Finance

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

4. **Title** Individual Income Tax; Filing Threshold and
Personal Exemption Amounts

Second House:

☒ In Committee

☐ Substitute

☐ Enrolled

5. **Summary/Purpose:**

This bill would increase the individual income tax filing thresholds from \$7,000 for single individuals and \$14,000 for married couples to \$10,210 and \$20,420, respectively, and would also increase the personal exemption amount from \$900 to \$930.

This bill is effective for taxable years beginning on and after January 1, 2008.

6. **No Fiscal Impact or Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

6b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2006-07	\$0	GF
2007-08	\$4.8 million	GF
2008-09	\$9.2 million	GF
2009-10	\$7.5 million	GF
2010-11	\$5.9 million	GF
2011-12	\$4.5 million	GF
2012-13	\$3.1 million	GF

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

Page 1, Revenue Estimates

8. **Fiscal implications:**

Administrative Impact

TAX considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

The Executive Budget assumes the passage of the introduced version of this bill and therefore incorporates the fiscal impact of increasing the filing thresholds to \$12,000 and \$24,000. This bill proposes lower filing thresholds than those assumed in the Executive

Budget. If this bill is passed, General Fund revenue would be increased by \$4.8 million for FY 2008, \$9.2 million for FY 2009, \$7.5 million for FY 2010, \$5.9 million for FY 2011, \$4.5 million for FY 2012 and \$3.1 million for FY 2013. The breakdown is shown below:

	<i>(Amounts in \$ millions)</i>					
	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>	<u>FY 13</u>
HB 3022						
Filing Threshold	-4.6	-9.1	-8.4	-8.0	-7.7	-7.5
Exemption Increase	-4.4	-9.1	-9.0	-9.0	-9.1	-9.1
Total	-9.0	-18.2	-17.4	-17.0	-16.8	-16.6
Included in the Executive Budget for HB 3022 as Introduced	-13.8	-27.4	-24.9	-22.9	-21.3	-19.7
Net Revenue Impact	4.8	9.2	7.5	5.9	4.5	3.1

Based on data from 2004 returns, it is estimated that the increased thresholds would have eliminated the filing requirement for 71,000 returns that showed a tax liability, and another 140,000 returns that had no tax liability because of deductions and credits, for a total of 211,000 returns.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Current Law

A filing threshold establishes the minimum income for which a return must be filed. Individuals whose income falls below the threshold are not required to file a return or pay tax. Individuals whose income is above the threshold must file a return even though they may be able to claim deductions and credits that eliminate any tax liability. Virginia enacted its first filing threshold in 1978, which was set at \$3,000 for individuals and married couples. Since 2004, the filing thresholds have been \$7,000 for individuals (whether single or married filing separately) and \$14,000 for couples filing jointly.

Effective for taxable year 2005, Virginia increased the deduction for personal exemptions 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.

Proposal

This proposal would increase the individual income tax filing thresholds to \$10,210 for single individuals and married couples filing separately and \$20,420 for married couples filing jointly and increase the personal exemption amount from \$900 to \$930.

These filing thresholds are equal to the most recent federal poverty guidelines, which were released on January 24, 2007. The proposed filing thresholds are higher than the federal filing thresholds of \$8,450 for single taxpayers and \$16,950 for married taxpayers.

Similar Legislation

Senate Bill 1105 would raise the filing threshold to \$12,000 for single individuals and \$24,000 for married couples.

cc : Secretary of Finance

Date: 2/7/2007 JOC
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