

DEPARTMENT OF TAXATION

2007 Fiscal Impact Statement

1. **Patron** Walter A. Stosch

2. **Bill Number** SB 778

3. **Committee** Passed House and Senate

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 for single individuals from \$7,000 to \$11,250 for 2008 and 2009, \$11,650 for 2010 and 2011 and \$11,950 for 2012 and beyond. The bill would increase the filing threshold for married couples from \$14,000 to \$22,500 for 2008 and 2009, 23,300 for 2010 and 2011, and 23,900 for 2012 and beyond. The bill 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	\$0.3 million	GF
2008-09	\$0.3 million	GF
2009-10	(\$2.0 million)	GF
2010-11	(\$4.3 million)	GF
2011-12	(\$6.0 million)	GF
2012-13	(\$7.7 million)	GF

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

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 but a higher personal exemption. If this bill is passed, General Fund revenue would be increased by \$0.3 million for FY 2008 and FY 2009, and decreased by \$2.0 million for FY 2010, \$4.3 million for FY 2011, \$6.0 million for FY 2012 and \$7.7 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	-9.1	-18.0	-17.9	-18.2	-18.2	-18.3
Exemption Increase	-4.4	-9.1	-9.0	-9.0	-9.1	-9.1
Total	-13.5	-27.1	-26.9	-27.2	-27.3	-27.4
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	0.3	0.3	-2.0	-4.3	-6.0	-7.7

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 bill would increase the individual income tax filing thresholds for single individuals from \$7,000 to \$11,250 for 2008 and 2009, \$11,650 for 2010 and 2011 and \$11,950 for 2012 and beyond. The bill would increase the filing threshold for married couples from \$14,000 to \$22,500 for 2008 and 2009, 23,300 for 2010 and 2011, and 23,900 for 2012 and beyond. If the final threshold amounts (\$11,950 and \$23,900) had been in effect for taxable year 2004 an estimated 320,000 low-income taxpayers would have benefited.

The bill would also increase the personal exemption amount from \$900 to \$930 effective for taxable year 2008, which will benefit all taxpayers.

These filing thresholds are higher than the most recent federal poverty guidelines, which are \$10,210 for single individuals and \$20,420 for married couples and were released on January 24, 2007. The proposed filing thresholds are also higher than the federal filing thresholds of \$8,450 for single taxpayers and \$16,950 for married taxpayers.

Similar Legislation

House Bill 3022 is identical to this bill.

cc : Secretary of Finance

Date: 3/13/2007 JOC
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