

## Department of Planning and Budget 2008 Fiscal Impact Statement

**1. Bill Number:** HB1193

House of Origin    ☐ Introduced    ☒ Substitute    ☐ Engrossed  
Second House       ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron:** Moran

**3. Committee:** Commerce and Labor

**4. Title:** Military Service Personnel Bill of Rights of 2008.

**5. Summary:** Provides a number of rights and enhancements to military service personnel who are on active duty and domiciled in the Commonwealth.

**6. Fiscal Impact Estimates:**

**6a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2009	\$175,000	1.0	NGF (VRS)
2009	Unknown	N/A	GF
2010	\$175,000	1.0	NGF (VRS)
2010	Unknown	N/A	GF
2011	\$175,000	1.0	NGF (VRS)
2011	Unknown	N/A	GF
2012	\$175,000	1.0	NGF (VRS)
2012	Unknown	N/A	GF
2013	\$175,000	1.0	NGF (VRS)
2013	Unknown	N/A	GF
2014	\$175,000	1.0	NGF (VRS)
2014	Unknown	N/A	GF

**6b. Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2009	\$440,000 reduction	GF
2010	\$440,000 reduction	GF
2011	\$440,000 reduction	GF
2012	\$440,000 reduction	GF
2013	\$440,000 reduction	GF
2014	\$440,000 reduction	GF

**7. Budget Amendment Necessary:** Yes; revenues on the front page of the budget bill will need to be reduced. In addition, the Virginia Retirement System would require an increase of \$175,000 in nongeneral fund appropriation each year and one authorized position to support the administrative requirements of the group life program provision of this bill.

- 8. Fiscal Implications:** The Department of Taxation indicates that the tax provision of this bill would have a negative impact on general fund revenues. Based on data provided by the Department of Defense, there were 91,984 National Guard and Reserve members on active duty as of June 13, 2007. Out of this number, 2,640 were from units located in Virginia. According to the Office of the Assistant Secretary of Defense, it is estimated that 65% of these members (1,716) are active in a combat zone or a qualified hazardous duty area and would, therefore, not qualify for the proposed subtraction. This leaves 924 members that could possibly qualify, because they would be located in non-combat zones. However, it is estimated that only 739 of these members (80%) are on active duty for more than 90 days in a non-combat zone.

Members of the armed forces on active duty are taxed on their military pay according to the state in which they are domiciled (home of record), not on the location in which they are stationed. The Office of the Assistant Secretary of Defense estimates that 66% of the National Guard and Reserve personnel stationed in Virginia are Virginia residents for income tax purposes, which would mean that 488 members are potentially eligible for the subtraction. It is unknown what percentage of these remaining personnel are on active duty outside the United States.

Based on a profile of taxpayers who claim similar military subtractions, the Department of Taxation estimates that if all 488 potentially eligible National Guard and Reserve personnel claimed the subtraction, the negative revenue impact would be a maximum of \$440,000 per year. This estimate is based on tax data for returns that claim similar military subtractions. The revenue impact of this bill would fluctuate as the number of National Guard and Reserve being activated increases and decreases.

The Virginia Retirement System (VRS) indicates that the group life provision of this bill may have a negative but unknown impact on the basic and optional group life programs. This conclusion is based upon the fact that the National Guard member group is about 84% male compared to about 32% male for the general VRS group active population. The VRS actuary advises that a greater proportion of males will tend to increase insurance program costs. The magnitude of any change to the program will be unknown until the enrollment and experience of Guard members is known. VRS also indicates that this bill will have an administrative impact as well. Specifically, because the National Guard members as a group are not state employees or employees of local political subdivisions, there will be unique issues related to marketing, education, enrollment, and billing. To address this VRS would require one position and \$175,000 NGF each year to implement the provisions of this bill.

This bill would also require the development of state personnel policies providing supplemental pay to any state employee who is on active military duty in the armed forces of the United States and receives active military duty pay in an amount that is less than his regular state pay. Current policy for Executive branch agencies is to award full-time (excluding hourly wage employees) a supplement if their active duty pay plus allowances is lower than their state pay. This bill only refers to the active duty pay and does not necessarily include allowances in this amount. If it is determined that the active duty allowances are not a part of active duty pay for the purposes of this bill, then the bill will have an impact on the cost for full-time employees because it would change the formula that is currently used. In addition, the bill includes hourly wage employees in the definition of employees eligible for

the supplement. The current policy used by Executive branch agencies does not include wage employees, therefore, the bill would potentially increase state agency costs to the extent that any wage employees state pay is greater than their active duty pay. Finally, this bill may have an impact on non-Executive branch agencies to the extent that such active duty supplement policies have not yet been adopted.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Taxation, Virginia Retirement System, Department of Human Resource Management, Department of Planning and Budget, and any state agency with employees serving in the National Guard or Reserve components of the United States armed forces.

**10. Technical Amendment Necessary:** N/A

**11. Other Comments:** N/A

**Date:** 2/11/2008 JDH

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