

DEPARTMENT OF TAXATION

2009 Fiscal Impact Statement

1. **Patron** Joseph F. Bouchard

3. **Committee** House Finance

4. **Title** Individual Income Tax; Subtraction for
Virginia Military Family Relief Fund

2. **Bill Number** HB 2414

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

The bill would provide a subtraction in computing taxable income for any benefit paid from the Virginia Military Family Relief Fund. The Virginia Military Family Relief Fund is a special nonreverting fund that provides assistance with living expenses to certain members of the Virginia National Guard and Virginia residents who are members of the reserves of the armed forces of the United States and their families.

This bill would be effective for taxable years beginning on or after January 1, 2009.

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

6b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2008-09	\$0	GF
2009-10	(\$7,200)	GF
2010-11	(\$7,200)	GF
2011-12	(\$7,200)	GF
2012-13	\$0	GF
2013-14	\$0	GF
2014-15	\$0	GF

7. **Budget amendment necessary:** Yes. (See Line 8.)

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8. **Fiscal implications:**

Administrative Impact

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.

Revenue Impact

This bill would reduce General Fund revenues by approximately \$7,200 annually beginning in FY 2010. According to the annual report issued by the Department of Military Affairs on October 1, 2008, a total of \$125,371.25 in payments were made to 88 taxpayers. If it is assumed that this amount is paid each year and that it is taxed at the maximum rate of 5.75%, then there would be a revenue loss of approximately \$7,200 annually. This revenue loss could increase in the future if there is an increased utilization of the fund.

There is no impact in Fiscal Year 2013 through 2015 because the Fund will become depleted by the end of Fiscal Year 2012, based on the current rate of distributions. To the extent the Fund receives voluntary contributions from the Individual Income Tax Return or any additional appropriations, the Fund would be available to make payments in subsequent years and there would be an accompanying revenue loss.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Generally

The Virginia Military Family Relief Fund (the Fund) was created in 2006 as a special nonreverting fund to be administered by the Office of the Adjutant General. All moneys appropriated by the General Assembly or received as private gifts, grants, or donations contributed to the Fund and revenues received by the Commonwealth for the Fund through voluntary contributions are paid into the state treasury and credited to the Fund.

Moneys in the Fund must be used solely for the purposes of assisting members of the Virginia National Guard and Virginia residents who are members of the reserves of the armed forces of the United States who have been called to extended active duty for periods in excess of 90 days, and their families, with living expenses. Living expenses include but are not limited to food, housing, utilities, and medical services.

A voluntary contribution to benefit the Virginia Military Family Relief Fund was added to the 2008 individual income tax return.

Proposal

The bill would provide a subtraction in computing taxable income for any benefit paid from the Virginia Military Family Relief Fund.

This bill would be effective for taxable years beginning on or after January 1, 2009.

Similar Bills

House Bill 2512 is identical to this bill.

cc : Secretary of Finance

Date: 1/24/2009 JKL
HB2414F161