

DEPARTMENT OF TAXATION

2019 Fiscal Impact Statement

1. **Patron** Thomas K. Norment, Jr.

2. **Bill Number** SB 1572

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

3. **Committee** Senate Finance

4. **Title** Virginia Individual Income; Increased Tax Filing Thresholds

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would increase the individual income tax filing threshold from \$11,950 to \$15,000 for single individuals and a married individual filing a separate return, and from \$23,900 to \$30,000 for a married couple filing a joint return.

This bill would be effective for taxable years beginning on or after January 1, 2019.

6. **Budget amendment necessary:** Yes.

Item(s): Page 1, Revenue Estimates

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

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2019-20	(\$79.6 million)	GF
2020-21	(\$50.5 million)	GF
2021-22	(\$49.5 million)	GF
2022-23	(\$48.3 million)	GF
2023-24	(\$46.8 million)	GF
2024-25	(\$45.0 million)	GF

8. Fiscal implications:

Administrative Costs

Due to uncertainty about the systems and processing changes that may be required for the 2018 and 2019 income tax filing seasons, the Department of Taxation ("the Department") is unable to assign administrative costs to this bill at this time. During 2017, Congress enacted the Tax Cuts and Jobs Act ("TCJA"), which made substantial changes to federal tax law. At this time, it is uncertain what Virginia tax policy changes will be adopted in reaction to the federal law.

If substantial changes are enacted or required in response to state/federal law, it is possible that the Department may not have the ability to implement the changes set forth

in this bill by the proposed effective date. Accordingly, the Department will reevaluate its costs once action is taken and may request additional funding or an amendment to delay the effective date of this legislation.

Revenue Impact

This bill would have an estimated negative General Fund revenue impact of \$79.6 million in FY 2020, \$50.5 million in FY 2021, \$49.5 million in FY 2022, \$48.3 million in FY 2023, \$46.8 million in FY 2024, and \$45.0 million in FY 2025.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Federal Individual Income Tax Filing Threshold

The current federal individual income tax filing threshold for taxpayers is generally equal to the amount of a taxpayer's standard deduction. The amount of the filing threshold may differ depending on a variety of circumstances. The following chart shows the current federal individual income tax filing thresholds:

Filing Status	Age at the End of 2018	Filing Threshold
Single	Under 65	\$12,000
	65 or Older	\$13,600
Married Filing Jointly	Under 65 (both spouses)	\$24,000
	65 or Older (one spouse)	\$25,300
	65 or Older (both spouses)	\$26,600
Married Filing Separately	Any Age	\$5
Head of Household	Under 65	\$18,000
	65 or Older	\$19,600
Qualified Widow(er)	Under 65	\$24,000
	65 or Older	\$25,300

Virginia's Individual Income Tax Filing Threshold

The Virginia individual income tax filing threshold is the amount of income at which a taxpayer is required to pay income tax and file an income tax return. Virginia's current individual income tax filing thresholds are \$11,950 for single individuals and a married individual filing a separate return, and \$23,900 for married couples. The following chart shows Virginia's filing thresholds for Taxable Year 1978 to the present:

Filing Status	1978 - 1986	1987 - 2004	2005 - 2007	2008 - 2009	2010 - 2011	2012 - Present
Single	\$3,000	\$5,000	\$7,000	\$11,250	\$11,650	\$11,950
Married	\$3,000	\$8,000	\$14,000	\$22,500	\$23,300	\$23,900
Married Separate	\$3,000	\$4,000	\$7,000	\$11,250	\$11,650	\$11,950

Other States Individual Income Tax Filing Threshold

Of the 41 states that impose an individual income tax, 12 and the District of Columbia require taxpayers to file an individual income tax return if they were required to file a federal individual income tax return for such taxable year. 18 states require residents to file an individual income tax return only if their income exceeds the state standard deduction and/or personal exemption amount(s). The remaining 11 states, including Virginia, set a threshold amount independent of the federal threshold and the state standard deduction and/or personal exemption amount(s).

The following chart shows the current individual income tax filing thresholds for Virginia and the states bordering Virginia that impose an individual income tax.

	Filing Threshold Single	Filing Threshold Married
Virginia	\$11,950	\$23,900
Kentucky	\$2,980	\$3,480
Maryland	\$10,400	\$20,800
North Carolina	\$8,750	\$17,500
Washington D.C.	\$12,000	\$24,000
West Virginia	\$2,000	\$4,000

Proposed Legislation

This bill would increase the individual income tax filing threshold from \$11,950 to \$15,000 for single individuals and a married individual filing a separate return, and from \$23,900 to \$30,000 for a married couple filing a joint return.

This bill would be effective for taxable years beginning on or after January 1, 2019.

cc : Secretary of Finance

Date: 1/13/2019 RWC
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