

## DEPARTMENT OF TAXATION 2020 Fiscal Impact Statement

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|---|--------------------------------------|
| <b>1. Patron</b> Siobhan S. Dunnavant   | <b>2. Bill Number</b> <u>SB 1012</u> |
|   | <b>House of Origin:</b>              |
|   | <u>          </u> <b>Introduced</b>  |
| <b>3. Committee</b> House Finance   | <u>          </u> <b>Substitute</b>  |
|   | <u>          </u> <b>Engrossed</b>   |
| <b>4. Title</b> Individual Income Tax; Subtraction for Grant<br>Recipients Under the Get Skilled, Get a Job,<br>Give Back Program | <b>Second House:</b>                 |
|   | <u>  X  </u> <b>In Committee</b>     |
|   | <u>          </u> <b>Substitute</b>  |
|   | <u>          </u> <b>Enrolled</b>    |

### 5. Summary/Purpose:

This bill would provide an individual income tax subtraction for any financial assistance, regardless of the purpose for which it is spent, received by a student through the Get Skilled, Get a Job, Give Back Program.

This bill would be effective for taxable years beginning on and after January 1, 2021.

This bill would provide that its provisions would not become effective unless the revenue change reasonably anticipated to result from the implementation of this bill is affirmatively accounted for in the total projected revenues set forth in section 3 of the first enactment of the General Appropriations Act passed by the General Assembly in 2020 that becomes law.

### 6. Budget amendment necessary: Yes.

Item(s): Page 1, Revenue Estimates

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

### 8. Fiscal implications:

#### Administrative Costs

The Department of Taxation considers implementation of this bill as routine, and does not require additional funding.

#### Revenue Impact

This bill would have an unknown negative General Fund revenue impact in Fiscal Year 2022 and Fiscal Year 2023. It is unknown to what extent students would receive financial assistance through the Get Skilled, Get a Job, Give Back Program and qualify for this subtraction. Certain qualified tuition and fees are already exempt from taxation under federal law and, therefore, are also exempt for Virginia income tax purposes. This bill

would have an impact only to the extent that financial assistance is spent for non-qualified purposes, such as room and board, and would otherwise be subject to taxation.

The Introduced Executive Budget includes a provision that would appropriate approximately \$72.54 million to the Get Skilled, Get a Job, Give Back Program in both Fiscal Year 2021 and Fiscal Year 2022. According to data from the State Council of Higher Education for Virginia, \$19.9 million of this amount is to be allocated in each fiscal year toward taxable stipends. If such allocation is effectuated as planned, the maximum negative General Fund revenue impact of this bill would be \$1.1 million in Fiscal Year 2022 and \$1.1 million in Fiscal Year 2023. However, it is uncertain whether the entire \$19.9 million would actually be used toward providing taxable stipends and to what extent recipients are exempt from Virginia income tax because their income falls below the applicable filing threshold. As a result, the actual negative revenue impact of this bill may be less.

**9. Specific agency or political subdivisions affected:**

Department of Taxation

**10. Technical amendment necessary:** No.

**11. Other comments:**

Get Skilled, Get a Job, Give Back Program

The Introduced Executive Budget would create and appropriate funding to the Get Skilled, Get a Job, Give Back Program ("G3 program"). The G3 program would offer financial assistance to low- and middle-income Virginia residents who are eligible for in-state tuition and who are enrolled in a program at a Virginia community college that leads to an occupation in a high-demand field and that is approved by the Chief Workforce Development Advisor as advised by the Board of Workforce Development or other council established by the General Assembly or the Governor. Such high-demand field would mean a discipline or field in which there is a shortage of skilled workers to fill current job vacancies or anticipated additional job openings. The Chief Workforce Development Advisor will update the high demand occupation list annually.

Under the G3 program, an eligible student would be able to receive:

- Grants up to the amount necessary to pay for the last-dollar cost of the enrolled institution's tuition, mandatory fees, and textbook costs; and
- Student Support Incentive Grants up to \$2,500 per year if the student is enrolled full-time and qualify for full Federal Pell Grants.

Each Student Support Incentive Grant would be distributed to eligible students on a semester basis. An eligible student would be allowed to receive up to \$1,000 per semester and up to \$500 per summer term. Student Support Incentive Grants could be used for expenses such as food, transportation, and childcare.

## Taxation of Scholarships and Grants

If a taxpayer receives a scholarship or grant to attend an educational institution for the purpose of study, such scholarship or grant may be exempt from federal income tax if the amounts received are used to pay for qualified tuition and related expenses. "Qualified tuition and related expense" are defined as:

- Tuition and fees required for enrollment or attendance at the educational institution; and
- Fees, books, supplies, and equipment required for courses at the educational institution.

Any portion of a scholarship or grant used for those expenses not listed above, such as room and board, transportation, optional equipment and childcare, is subject to federal income tax.

Virginia conforms to the federal tax treatment of scholarships and grants.

## Proposed Legislation

This bill would provide an individual income tax subtraction for any financial assistance, regardless of the purpose for which it is spent, received by a student through the Get Skilled, Get a Job, Give Back Program.

This bill would be effective for taxable years beginning on and after January 1, 2021.

This bill would provide that its provisions would not become effective unless the revenue change reasonably anticipated to result from the implementation of this bill is affirmatively accounted for in the total projected revenues set forth in section 3 of the first enactment of the General Appropriations Act passed by the General Assembly in 2020 that becomes law.

cc : Secretary of Finance

Date: 2/14/2020 JJS  
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