

## DEPARTMENT OF TAXATION 2020 Fiscal Impact Statement

1. **Patron** George L. Barker

2. **Bill Number** SB 277

3. **Committee** Senate Finance and Appropriations

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Individual and Corporate Income Tax;  
Incentive for Commuter Benefits Provided by  
an Employer

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would provide an individual income tax deduction and a corporate income tax subtraction to an employer for commuter benefits it provides to an employee. This would be limited to \$265 per employee.

This bill would be effective for taxable years beginning on and after January 1, 2020.

6. **Budget amendment necessary:** No.

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, but potentially significant, negative General Fund revenue impact beginning in Fiscal Year 2021. The extent to which employers would qualify for and claim this tax preference is unknown. Because the bill is not limited to transportation expenses incurred for job-related commuting, this incentive could be claimed by employers for providing a wide variety of transportation benefits to employees.

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

Department of Taxation

10. **Technical amendment necessary:** Yes. As currently drafted, "commuter benefits" would be defined as any expenses paid for public transportation and ridesharing arrangements. This would include payments for such expenses, even if they are unrelated to the

employee's commute to and from work. If this was not the intent of the Patron, the Department suggests the following technical amendment:

Line 483 after in § 46.2-1400

Insert: for the purposes of commuting to and from the employer

## **11. Other comments:**

### Proposed Legislation

This bill would provide an individual income tax deduction and a corporate income tax subtraction to an employer for commuter benefits it provides to an employee. This would be limited to \$265 per employee. For purposes of this bill, "commuter benefits" would be defined as expenses paid for public transportation and ridesharing arrangements.

"Public transportation" would be defined as passenger transportation by rubber-tired, rail, or other surface conveyance that provides shared ride services open to the general public on a regular and continuing basis. "Public transportation" would not include school buses, charter or sight-seeing services, vehicular ferry service that serves as a link in the highway network, or human service agency or other client-restricted transportation.

"Ridesharing arrangements" would be defined as the transportation of persons in a motor vehicle when such transportation is incidental to the principal purpose of the driver, which is to reach a destination and not to transport persons for profit. The term would include ridesharing arrangements known as carpools, vanpools, and bus pools, but the term would not include a prearranged ride.

This bill would be effective for taxable years beginning on and after January 1, 2020.

### Similar Bills

**House Bill 1555** is identical to his bill.

cc : Secretary of Finance

Date: 1/27/2020 JJS  
SB277F161