

**DEPARTMENT OF TAXATION
2021 Fiscal Impact Statement**

1. **Patron** Christopher T. Head

2. **Bill Number** HB 2199

3. **Committee** House Finance

House of Origin:
 Introduced
 Substitute
 Engrossed

4. **Title** Individual Income Tax; Refundable Credit for Stillborn Children

Second House:
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would provide a refundable individual income tax credit of \$2,000 to an individual or married persons filing a joint return for each birth for which a certificate of birth resulting in stillbirth has been issued. This credit would not be subject to an annual credit cap.

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

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

Item(s): 282 and 284, Department of Taxation

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

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2021-22	\$114,037	0	GF
2022-23	\$0	0	GF
2023-24	\$0	0	GF
2024-25	\$0	0	GF
2025-26	\$0	0	GF
2026-27	\$0	0	GF

8. Fiscal implications:

Administrative Costs

This bill would result in administrative costs to the Department of Taxation (“the Department”) of \$114,037 in Fiscal Year 2022. These costs include expenses for updating the Department’s forms and systems to implement the new tax credit program. Any costs thereafter would be considered routine.

Revenue Impact

This bill would have an unknown negative General Fund revenue impact beginning in Fiscal Year 2022. It is unclear to what extent taxpayers would qualify for and claim this

credit. Based on data from the Count the Kicks organization, approximately 550 babies are stillborn each year in Virginia. Based on this information, the Department estimates that the negative revenue impact associated with this legislation could be as high as \$1.1 million annually.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Sunset Dates for New Income Tax Credits and Sales Tax Exemptions

Section 3-5.14 of the 2020 Appropriation Act provides that any new sales tax exemption or tax credit enacted by the General Assembly after the 2019 Session, but prior to the 2024 Session, must have a sunset date of not later than June 30, 2025. Further, during the 2012 Session, the General Assembly enacted House Bill 246, which prohibits any committee of the General Assembly from reporting any legislation that would add a new credit or renew an existing credit unless the legislation contains a sunset date of no longer than five years from the effective date of the new or renewed credit.

Proposed Legislation

This bill would provide a refundable individual income tax credit of \$2,000 to an individual or married persons filing a joint return for each birth for which a certificate of birth resulting in stillbirth has been issued. The credit would be permitted only in the taxable year in which the stillbirth occurred and if the child would have become a dependent of the taxpayer.

For any taxable year in which married persons file separate Virginia income tax returns, the credit that this bill would provide would be allowed against the tax liability for only one of such income tax returns. This credit would not be subject to an annual credit cap.

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

cc : Secretary of Finance

Date: 1/29/2021 MTH
HB2199F161