

# Department of Taxation Fiscal Impact Statement

## HB 5018

### Delegate Parrish

Summary: Makes several changes to the estate, cigarette, recordation, income and sales taxes as follows: (i) Estate tax: Eliminates the estate tax for the estates of persons who die on or after November 1, 2004. (ii) Sales tax on food: Reduces the state sales tax on food by one-half cent effective October 1, 2004 and an additional one-half cent effective July 1, 2005. (iii) Income tax: Increases the personal exemption amount from \$800 to \$1,000, effective January 1, 2005. (iv) Increases the standard deduction for married individuals from \$5,000 to \$6,000, effective January 1, 2005. (v) Raises the filing threshold from \$5,000 to \$7,000 for individuals and from \$8,000 to \$14,000 for married couples, effective January 1, 2005. (vi) Maintains the age deduction as it currently exists for taxpayers aged 65 and older. Taxpayers who are currently 62 through 64 will continue to receive their current deduction but once they reach 65 they will be subject to a means test. Those taxpayers who currently are younger than 62 will be subject a means test once they reach that age. These changes are effective January 1, 2004. (vii) Closes certain loopholes related to Delaware holding companies, effective January 1, 2004. (viii) Pass-through entities: Requires pass-through entities information returns to be filed with the Tax Department, effective for taxable years beginning on and after January 1, 2004. (ix) Cigarette tax: Increases the state cigarette tax from 2.5 cents to 25 cents per pack beginning August 1, 2004, and 30 cents per pack beginning July 1, 2005. (x) Recordation tax: Increases the state recordation from 15 cents per \$100 to 25 cents per \$100, effective August 1, 2004. (xi) Sales tax: Increases the state sales and use tax one-half percent from 3.5 percent to 4 percent, effective October 1, 2004. (xii) Eliminates sales tax exemptions for certain public service corporations. (xiii) Eliminates the accelerated sales tax payments.

#### General Fund

*(Impacts in millions)*

<b>Component (Effective Date*)</b>	FY 2005	FY 2006
Personal Exemption (TYBOA 1/1/05)	(\$29.3)	(\$56.2)
Standard Deduction (TYBOA 1/1/05)	(\$10.4)	(\$20.1)
Filing Threshold (TYBOA 1/1/05)	(\$2.3)	(\$4.5)
Age Deduction (TYBOA 1/1/04)	\$44.0	\$52.8
Close Corporate Loophole (TYBOA 1/1/04)	\$34.0	\$22.4
Pass-Through Entities (TYBOA 1/1/04)	\$2.0	\$6.0
Sales Tax Rate Increase (10/1/04)	\$266.9	\$421.3
Sales Tax Exemption Repeal (8/1/04)	\$61.9	\$74.5
Food Tax Reduction (8/1/04)	(\$37.3)	(\$108.5)
Accelerated Sales Tax Elimination (6/1/05)	(\$181.0)	\$0.0
Cigarette Tax (8/1/04)	\$137.9	\$178.2
Recordation Tax (8/1/04)	\$105.1	\$119.0
Estate Tax Repeal (EOPWDA 11/1/04)	\$0.0	(\$103.9)
<b>Total Impact</b>	<b>\$391.5</b>	<b>\$581.0</b>

#### Transportation Trust Fund

*(Impacts in millions)*

<b>Component (Effective Date*)</b>	FY 2005	FY 2006
Cigarette Tax-Sales tax impact (8/1/04)	\$0.3	\$0.5
Sales Tax Exemption Repeal (8/1/04)	\$9.9	\$10.8
<b>Total Impact</b>	<b>\$10.2</b>	<b>\$11.3</b>

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<b>Component (Effective Date*)</b>	<b>Local</b>	
	<i>(Impacts in millions)</i>	
	FY 2005	FY 2006
Cigarette Tax-Sales tax impact (8/1/04)	\$0.6	\$0.9
Sales Tax Exemption Repeal (8/1/04)	\$19.9	\$21.7
<b>Total Impact</b>	<b>\$20.5</b>	<b>\$22.6</b>

	<i>(Impacts in millions)</i>	
	FY 2005	FY 2006
	<b>Total General Fund Impact</b>	<b>\$391.5</b>
<b>Total Transportation Trust Fund Impact</b>	<b>\$10.2</b>	<b>\$11.3</b>
<b>Total Local Impact</b>	<b>\$20.5</b>	<b>\$22.6</b>

\*Effective Dates:

TYBOA: Taxable years beginning on or after

EOPWDA: Estates of persons who died after

**Note:** Article IV, § 13 of the Constitution of Virginia states that all laws enacted during a special session other than the Appropriations Act and emergency legislation will take effect on the first day of the fourth month following the month of adjournment of the special session. As the month of March has expired and the special session has not adjourned, all laws enacted during a special session effective in due course will become effective on August 1, 2004, assuming the special session adjourns before the end of April.