

DEPARTMENT OF TAXATION

2007 Fiscal Impact Statement

1. **Patron** David E. Poisson

3. **Committee** House Finance

4. **Title** Income Tax; Toll Payment Credit

2. **Bill Number** HB 1803

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would provide an individual income tax credit to any taxpayer who makes electronic toll collection payments for the use of any highway in the Commonwealth. The amount of the credit is equal to 10% of the amount paid as evidenced by receipts for such use. If the amount of credit exceeds the individual's liability, the balance may be carried forward for up to five years.

This bill would be effective for taxable years beginning on or after January 1, 2007.

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

Revenue Impact:

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Fund</i> |
|---------------------------|-----------------------|--------------------|
| 2007-08 | (\$6.8 million) | GF |
| 2008-09 | (\$6.8 million) | GF |
| 2009-10 | (\$6.8 million) | GF |
| 2010-11 | (\$6.8 million) | GF |
| 2011-12 | (\$6.8 million) | GF |
| 2012-13 | (\$6.8 million) | GF |

7. **Budget amendment necessary:** Yes.

Page 1, Revenue Estimates

8. **Fiscal implications:**

Administrative Costs

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the

passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

Revenue Impact

This bill would result in a revenue loss of \$6.8 million annually in fiscal year 2008 and thereafter. This estimate is based on the fact that approximately \$94.5 million in total electronic toll revenue was collected in calendar year 2005. This estimate relies on the following data: 1) individual taxpayers make approximately 88% of electronic toll payments; and 2) out-of-state commuters make up approximately 7% of electronic toll payments.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Proposal

This bill would provide an income tax credit to any individual who makes electronic toll collection payments paid for the use of any highway in Virginia. The amount of the credit is equal to 10% of the amount paid during the taxable year.

Any excess credit can be carried over for the next five years. The credit would not apply to cash toll payments.

Electronic toll collection payments are amounts properly deducted from an individual's account through a toll payment system that automatically deducts the amount of the toll from an account each time the individual's vehicle passes through the toll collection facility, by means of a transponder or other electronic vehicle identification system.

Because Virginia conforms to the Internal Revenue Code, any deduction permitted on the federal level in calculating federal adjusted gross income will flow through to Virginia taxable income. Electronic toll collection payments made by an individual may also be properly deducted as a business expense in certain situations. This may result in a double benefit, allowing a deduction for toll collection payments as a qualified business expense in calculating federal adjusted gross income, as well as a tax credit against any Virginia income tax owed.

cc : Secretary of Finance

Date: 1/16/2007 JOC
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