

DEPARTMENT OF TAXATION

2007 Fiscal Impact Statement

1. **Patron** Benjamin L. Cline

3. **Committee** House Finance

4. **Title** Individual Income Tax; Filing Threshold
Amounts

2. **Bill Number** HB 3022

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would increase the individual income tax filing thresholds from \$7,000 for single individuals and \$14,000 for married couples to \$12,000 and \$24,000 respectively.

This bill is effective for taxable years beginning on and after January 1, 2008.

6. **No Fiscal Impact.** (See Line 8.)

7. **Budget amendment necessary:** No.

8. **Fiscal implications:**

Administrative Impact

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

The Executive budget assumes the passage of this bill and therefore incorporates the fiscal impact of increasing the filing thresholds. If this bill is not passed, General Fund revenue would be increased by \$13.8 million for FY 2008, \$27.4 million for FY 2009, \$24.9 million for FY 2010, \$22.9 million for FY 2011, \$21.3 million for FY 2012 and \$19.7 million for FY 2013.

Based on data from 2004 returns, it is estimated that the increased thresholds would have eliminated the filing requirement for 147,000 returns that showed a tax liability, and another 176,000 returns that had no tax liability because of deductions and credits, for a total of 323,000 returns.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Current Law

A filing threshold establishes the minimum income for which a return must be filed. Individuals whose income falls below the threshold are not required to file a return or pay tax. Individuals whose income is above the threshold must file a return even though they may be able to claim deductions and credits that eliminate any tax liability. Virginia enacted its first filing threshold in 1978, which was set at \$3,000 for individuals and married couples. Since 2004, the filing thresholds have been \$7,000 for individuals (whether single or married filing separately) and \$14,000 for couples filing jointly.

Proposal

This proposal would increase the individual income tax filing thresholds to \$12,000 for single individuals and married couples filing separately and \$24,000 for married couples filing jointly.

The current federal poverty guidelines, which for 2006 are \$9,800 for an individual and \$20,000 for a family of four, are similar to these filing thresholds. The proposed filing thresholds are considerably higher than the federal filing thresholds of \$8,450 for single taxpayers and \$16,950 for married taxpayers.

Similar Legislation

House Bill 2988 and Senate Bill 778 are identical to this bill.

cc : Secretary of Finance

Date: 1/22/2007 JOC
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