

DEPARTMENT OF TAXATION

2008 Fiscal Impact Statement

1. **Patron** Franklin P. Hall

2. **Bill Number** HB 1261

House of Origin:

 Introduced

 Substitute

 Engrossed

3. **Committee** Senate Finance

4. **Title** Individual Income Tax: Withholding
Allowances

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would repeal 1989 legislation that allows individuals to take additional withholding allowances to account for their itemized deductions.

The provisions of this bill would be effective January 1, 2003.

This is a Department of Taxation bill.

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

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

8. **Fiscal implications:**

Administrative Costs

Because the 1989 legislation has never become effective, this bill would have no administrative impact.

Revenue Impact

The current official revenue forecast assumes the passage of this proposal or an amendment to the enactment clause of the original Act that further delays its enactment. If the original Act is not repealed or the enactment is not further delayed, however, then General Fund revenues would be reduced \$18.2 million in FY 2009 and \$6.3 million in FY 2010.

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

Department of Taxation

10. **Technical amendment necessary:** No.

11. Other comments:

Background

In 1989, legislation was enacted, effective January 1, 1991, which would allow taxpayers who itemized their deductions to claim additional withholding exemptions. The effective date of this legislation was delayed numerous times since its enactment in 1989. Due to oversight, it was briefly allowed to become effective from July 1, 2002 to January 1, 2003. The effective date has been delayed again until July 1, 2008. The current delaying legislation is located in the third enactment clause of the 2007 Appropriations Act (2007 Acts of Assembly, c. 847).

The General Assembly has attempted to repeal the 1989 legislation four times through the budget. These attempts have all been unsuccessful. This proposal would repeal the legislation permanently.

Current Law

Under the current regulations, if a taxpayer can show that the amount withheld according to the Virginia Income Tax Withholding Tables will result in a substantial overpayment of the employee's income tax, he or she may write to the Tax Commissioner and request permission to claim additional withholding exemptions.

Proposal

This bill would repeal 1989 legislation that allows individuals to take additional withholding allowances to account for their itemized deductions. This change will not affect the ultimate tax liability of an individual or the receipts ultimately taken in by TAX.

In order to ensure the uninterrupted operation of this repeal, the provisions of this bill would be effective January 1, 2003.

cc : Secretary of Finance

Date: 2/11/2008 AMS
HB1261FE161