

**DEPARTMENT OF TAXATION
2008 Fiscal Impact Statement**

**REVISED
1/14/08**

1. **Patron** H. Morgan Griffith

3. **Committee** House Finance

4. **Title** Individual Income Tax: Deduction for
Naturalization Fees

2. **Bill Number** HB 414

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would allow an individual income taxpayer to deduct fees and costs paid to a government entity for the purpose of becoming a naturalized United States citizen.

This bill would be effective for taxable years beginning on or after January 1, 2008.

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

7. Budget amendment necessary: Yes. (See Line 8.)
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 have an unknown negative revenue impact, most likely beginning in FY 2009. Using data available from the United States Department of Homeland Security, approximately 24,440 individuals would have been eligible for this deduction in taxable year 2006. If each individual paid the current fees and costs of \$675 and had an average

tax rate of 5.23%, this would have resulted in a revenue loss of approximately \$0.86 million. Please note that the number of applications filed by Virginians has been trending upward since at least 2003.

To implement this deduction, a reduction of an equal amount of general fund support from other areas in the introduced budget would be required.

9. Specific agency or political subdivisions affected:

Department of Taxation
United States Citizenship and Immigration Services

10. Technical amendment necessary: None.

11. Other comments:

Naturalization Process

In order to become a naturalized U.S. citizen, the United States Citizen and Immigrant Services require that a person take the following initial steps: (i) obtain permanent residency, (ii) submit a completed application for naturalization, Form N-400, along with two color photographs, and (iii) have his fingerprints taken. Upon successful completion of these steps the applicant must then successfully pass the interview process which includes a civics and English test.

The fees and costs paid to a government entity for the purpose of becoming a United States citizen will vary depending on the number of attempts a person makes.

The current application fees and costs for becoming a naturalized U.S. citizen is \$675. In addition to these application costs, a person who has their application for naturalization denied, may pay \$675 for an administrative hearing.

Proposal

This bill would allow an individual income taxpayer to deduct fees and costs paid to a government entity for the purpose of becoming a naturalized United States citizen.

This bill would be effective for taxable years beginning on or after January 1, 2008.

cc : Secretary of Finance

Date: 1/14/2008 TG
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