

**DEPARTMENT OF TAXATION
2008 Fiscal Impact Statement**

**REVISED
1/14/08**

1. Patron Ken T. Cuccinelli, II

2. Bill Number SB 83

3. Committee Senate Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. Title Individual Income Tax: Credit for Political
Contributions

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would increase the individual income tax credit for contributions to candidates running for a state or local office in Virginia from \$25 to \$50 for single filers and from \$50 to \$100 for joint filers.

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 impact on General Fund revenues. For calendar year 2005, there were 13,407 taxpayers claiming a total of approximately \$473,553 in political contribution credits. Since the bill doubles the credit for both single

and joint filers, it could result in an additional loss of up to approximately \$473,553 annually, assuming increased contributions by the same number of contributors.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: None.

11. Other comments:

Current Law

Taxpayers are allowed a credit on their individual income tax return for contributions made to candidates for state or local political office in Virginia. The credit is 50% of the amount contributed, up to a \$25 credit for an individual or a \$50 credit on a joint return.

Taxpayers may also contribute a portion of their individual income tax refund as a voluntary contribution to the Democratic or Republican Party of Virginia. The maximum contribution political party contribution is \$25 on a single return, or \$50 on a joint return.

Proposal

This bill would double the maximum allowable credit on the individual income tax return for contributions made to candidates for state or local political offices. The credit would continue to be 50% of the amount contributed, but the maximum credit would increase to \$50 for an individual, or \$100 on a joint return.

cc : Secretary of Finance

Date: 1/14/2008 TG
SB83F161