

DEPARTMENT OF TAXATION

2009 Fiscal Impact Statement

1. **Patron** David E. Poisson

3. **Committee** House Finance

4. **Title** Individual Income Tax: Credit for Toll
Payments

2. **Bill Number** HB 1590

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 individual who makes qualified electronic toll collection payments for the use of any highway in the Commonwealth during peak hour traffic flow periods. The amount of the credit would be equal to 10% of such payments made in the taxable year, as evidenced by receipts for such use. If the amount of credit exceeded the individual's tax liability, the balance of the credit would be allowed to be carried forward for up to five years.

This bill would be effective for taxable years beginning on or after January 1, 2009.

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

6b. **Revenue Impact:**

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Fund</i> |
|---------------------------|-----------------------|--------------------|
| 2008-09 | \$0 | GF |
| 2009-10 | (\$3.9 million) | GF |
| 2010-11 | (\$3.9 million) | GF |
| 2011-12 | (\$3.9 million) | GF |
| 2012-13 | (\$3.9 million) | GF |
| 2013-14 | (\$3.9 million) | GF |
| 2014-15 | (\$3.9 million) | GF |

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

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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 negative revenue impact of \$3.9 million for FY 2010 and fiscal years thereafter. This estimate is based on information provided by the Virginia Department of Transportation ("VDOT"). This information indicates that: (1) approximately \$56,197,331 in total electronic toll revenue was collected during peak hours in calendar year 2008, (2) approximately 88% of electronic toll payments are made by individuals, and (3) out-of-state commuters make approximately 7.5% of electronic toll payments.

This estimate would be significantly impacted by changes to toll rates and the addition of new toll routes in the Commonwealth, as well as many other factors. Toll collections could vary due to such diverse factors as weather, the availability and congestion of substitute highways, general economic activity in the Commonwealth, etc.

To implement this credit, a reduction of an equal amount of general fund support from other areas in the introduced budget would be required. Given the magnitude of funding involved, funding would need to be transferred from areas with significant general fund support.

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 qualified electronic toll collection payments for the use of any highway in Virginia during peak hour traffic flow periods. The amount of the credit would be equal to 10% of such payments made in the taxable year, as evidenced by receipts for such use.

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

"Qualified electronic toll collection payments" would be defined as 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 during peak hour traffic flow periods, by means of a transponder or other electronic vehicle identification system.

"Peak hour traffic flow periods" would be defined as any time beginning at 5:00 a.m. through 9:00 a.m. and 3:00 p.m. through 7:00 p.m., Monday through Friday.

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. Therefore, a double benefit would result if the individual claims a federal deduction for toll collection payments as a qualified business expense, as well as a tax credit against any Virginia income tax owed.

cc : Secretary of Finance

Date: 1/16/2009 JKL
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