

# DEPARTMENT OF TAXATION

## 2009 Fiscal Impact Statement

1. **Patron** R. Lee Ware, Jr.

3. **Committee** House Finance

4. **Title** Individual Income Tax; Deduction for  
Expenses Related to School Supplies.

2. **Bill Number** HB 1976

**House of Origin:**

       **Introduced**

  X   **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

TAX understands that the Patron will be introducing an amendment in the nature of a substitute for this bill. This fiscal impact statement is applicable to that substitute version.

This bill would provide an income tax deduction to individuals for the amount paid for school supplies including, but not limited to, books, pencils, pens, paper, markers, calculators, instructional materials, and other materials for use by students in public or private primary or secondary schools or used directly for the instruction of students being home schooled.

The annual deduction amount could not exceed \$125 for individual taxpayers or married taxpayers filing separate returns and \$250 for taxpayers filing a joint return. In addition, a taxpayer could not claim this deduction to the extent that he had claimed a deduction for the same expenditure on his federal return.

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

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

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

The magnitude of the revenue loss associated with this bill is unknown. According to the most current data available, there are 1,393,333 elementary and secondary students in Virginia. If it is assumed that there was an average deduction of \$50 claimed for each child, the revenue loss associated with this deduction would total \$3.5 million. To the extent that the average expenditure is less, the revenue estimate would be less.

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

Department of Taxation

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

### **11. Other comments:**

### Current Law

#### **Individual Income Tax**

Under federal law, eligible educators who work in public or private elementary or secondary schools are allowed to claim an income tax deduction for up to \$250 of qualified expenses. Qualified expenses are unreimbursed expenses paid for books, supplies, computer equipment, and supplementary materials for use in the classroom. This deduction is available whether or not the taxpayer itemizes deductions. As a conformity state, allowable federal above the line deductions flow through to the starting point on the Virginia return, which is federal adjusted gross income.

#### **Retail Sales and Use Tax**

Virginia also has a sales tax holiday for clothing and school supplies. The sales tax holiday is a recurring event, beginning on the first Friday in August of every year and ending on the Sunday immediately following. During the sales tax holiday period, consumers may purchase certain school supplies, clothing, and footwear exempt of the Retail Sales and Use Tax. The exempt items include each school supply item with a selling price of \$20 or less and each article of clothing or footwear with a selling price of \$100 or less.

### Proposal

This bill would provide an income tax deduction to individuals for the amount paid for school supplies including, but not limited to, books, pencils, pens, paper, markers, calculators, instructional materials, and other materials for use by students in public or

private primary or secondary schools or used directly for the instruction of students being home schooled.

The annual deduction amount could not exceed \$125 for individual taxpayers or married taxpayers filing separate returns and \$250 for taxpayers filing a joint return. In addition, a taxpayer could not claim this deduction to the extent that he had claimed a deduction for such expenses on his federal return.

For example, a single teacher who spent \$500 on qualified unreimbursed materials for use in the classroom could deduct \$250 on his federal return and deduct an additional \$125 on his Virginia return. Married parents who spent \$50 per child on school supplies for each of their six children would be allowed no deduction on their federal return, but could deduct a maximum of \$250 on their Virginia return.

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

### Similar Bills

**Senate Bill 1278** is identical to this bill.

cc : Secretary of Finance

Date: 1/25/2009 JKL  
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