

DEPARTMENT OF TAXATION

2010 Fiscal Impact Statement

1. **Patron** Joseph P. Johnson, Jr.

3. **Committee** House Finance

4. **Title** Individual Income Tax; Subtraction for
Virginia Military Family Relief Fund

2. **Bill Number** HB 1231

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

TAX understands that the Patron intends to ask that this bill be rolled into and conformed to House Bill 1118. Accordingly, this fiscal impact statement is applicable to the language in House Bill 1118.

This is a "Section 1" bill that would provide that it is the policy of the Commonwealth to exclude from income any benefit paid from the Virginia Military Family Relief Fund to the extent that the benefit was included in federal adjusted gross income. The Virginia Military Family Relief Fund is a special nonreverting fund that provides assistance with living expenses to certain members of the Virginia National Guard and Virginia residents who are members of the reserves of the armed forces of the United States and their families.

The effective date of this bill is not specified.

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

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

8. **Fiscal implications:**

Administrative Impact

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

There is currently no clear guidance from the Internal Revenue Service as to whether grants, such as those issued by the Military Family Relief Fund, are required to be included in federal adjusted gross income. To the extent that the benefits provided by the Virginia Military Family Relief Fund may be required to be included in federal adjusted gross income, this bill would result in a minimal General Fund revenue loss beginning in Fiscal Year 2011.

The Virginia Military Family Relief Fund was established in 2006 and benefits have been distributed in each fiscal year since. The distributions were as follows: \$29,052.52 in Fiscal Year 2007, \$125,371.71 in Fiscal Year 2008, and \$54,224.00 in Fiscal Year 2009. The average distribution over the three fiscal years is \$69,533.94.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Generally

The Virginia Military Family Relief Fund (the Fund) was created in 2006 as a special nonreverting fund to be administered by the Office of the Adjutant General. All moneys appropriated by the General Assembly or received as private gifts, grants, or donations contributed to the Fund and revenues received by the Commonwealth for the Fund through voluntary contributions are paid into the state treasury and credited to the Fund.

Moneys in the Fund must be used solely for the purposes of assisting members of the Virginia National Guard and Virginia residents who are members of the reserves of the armed forces of the United States who have been called to extended active duty for periods in excess of 90 days, and their families, with living expenses. Living expenses include but are not limited to food, housing, utilities, and medical services.

Benefits paid from the Military Family Relief Fund are distributed in the form of grants to qualified service members and their families. Currently, there is no clear guidance from the Internal Revenue Service as to whether grants issued by the Fund would be included in federal adjusted gross income.

A voluntary contribution to benefit the Virginia Military Family Relief Fund was added to the 2008 individual income tax return. Thus far, the organization has collected over \$55,000 from donations made on those returns.

Proposal

This is a "Section 1" bill that would provide that it is the policy of the Commonwealth to exclude from income any benefit paid from the Virginia Military Family Relief Fund to the extent that the benefit was included in federal adjusted gross income.

The effective date of this bill is not specified.

Similar Bills

House Bill 1118 is identical to this bill.

Senate Bill 619 would also provide that any benefit paid from the Virginia Military Family Relief Fund is not subject to Virginia income tax.

cc : Secretary of Finance

Date: 1/28/2010 JKM
HB1231F161