

DEPARTMENT OF TAXATION

2012 Fiscal Impact Statement

1. **Patron** Thomas Davis Rust

3. **Committee** House Finance

4. **Title** Individual income tax deduction for tolls

2. **Bill Number** HB 862

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would create an individual income tax deduction equal to the amount paid during the taxable year as a toll for the use of a publicly owned and operated highway located in the Commonwealth. Such deduction would be permitted so long as the individual is not reimbursed for the toll and the individual does not claim a deduction for the payment of such toll for purposes of his federal income tax return.

The deduction would be effective for taxable years beginning on or after January 1, 2013.

6. **Budget amendment necessary:** Yes.

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

7b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2011-12	\$0	GF
2012-13	\$0	GF
2013-14	(\$350,000)	GF
2014-15	(\$350,000)	GF
2015-16	(\$350,000)	GF
2016-17	(\$350,000)	GF
2017-18	(\$350,000)	GF

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

This bill would result in an annual General Fund revenue loss equal to approximately \$350,000 for FY 2014 and for each fiscal year thereafter. This estimate is based on the

percentage of projected toll revenues that are attributed to non-commercial, in-state drivers on publicly owned and publicly operated highways. This estimate assumes that some drivers would not take advantage of the proposed deduction because of the burden of collecting toll receipts.

The George P. Coleman Bridge and the Powhite Extension are the only Virginia highways imposing tolls that are currently publicly owned and publicly operated and, thus, only tolls from these two highways would qualify for the deduction. The estimated revenue impact only takes into account projected tolls paid for the use of these highways. The actual revenue impact may be greater if additional toll highways are built or acquired by the Commonwealth.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Federal Law

There is no federal deduction specifically for the amount of tolls paid. However, several other federal income tax deductions allow for certain toll payments to be deducted. Certain business-connected tolls may be deducted as a business expense or as an unreimbursed employee expense. The amount of tolls incurred when traveling to or from medical appointments may be deducted as a medical expense. However, medical expenses may only be deducted to the extent that they exceed 7.5 percent of adjusted gross income (or 10 percent of adjusted gross income after 2012). Tolls paid when traveling to or from volunteer work may be deducted as a charitable contribution.

The unreimbursed employee expense deduction, medical expense deduction, and charitable contribution deduction may only be claimed if the taxpayer itemizes his federal deductions. The business expense deduction may only be claimed by business entities, including sole proprietorships.

Proposal

This bill would create an individual income tax deduction equal to the amount paid during the taxable year as a toll for the use of a publicly owned and operated highway located in the Commonwealth. Such deduction would be permitted so long as the individual is not reimbursed for the toll and the individual does not claim a deduction for the payment of such toll for purposes of his federal income tax return.

This bill would require the Department to develop guidelines implementing the new deduction. These guidelines would be required to identify the documentation that would be required to provide evidence of the payment of a toll for the use of a publicly owned and publicly operated highway located in the Commonwealth. Such guidelines would be exempt from the Administrative Process Act.

The deduction would be effective for taxable years beginning on or after January 1, 2013.

Similar Legislation

Senate Bill 567 would create an individual income tax credits for students and low-income persons for the amount of deposits paid for an E-ZPass transponder and for the amount paid as a toll for the use of a public highway located in the Commonwealth.

cc : Secretary of Finance

Date: 2/2/2012 KLC
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