

DEPARTMENT OF TAXATION

2013 Fiscal Impact Statement

1. **Patron** Harry B. Blevins

3. **Committee** Senate Finance

4. **Title** Individual Income Tax Deduction for Tolls
Paid in Qualified Localities in the
Commonwealth.

2. **Bill Number** SB 859

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 50 percent of the amount paid by a qualified taxpayer for tolls in qualified localities in the Commonwealth.

This bill would be effective for taxable years beginning on or after January 1, 2013.

6. **Budget amendment necessary:** No.

7. **Fiscal Impact Estimates are:** Not Available. (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

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

The Department will provide specific administrative costs on any legislation that is not "routine." Additionally, the Department 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, the Department will identify the costs at that time.

Revenue Impact

This bill would have an unknown negative General Fund revenue impact, beginning in Fiscal Year 2015. This bill does not define what constitutes a "public-private transportation project." However, it appears that projects under the Public-Private Transportation Act of 1995 ("PPTA") would qualify as public-private transportation projects. The U.S. Route 460 Corridor Improvements Project and the proposed I-95 Corridor Improvements Project are examples of PPTA projects. Currently, only one

PPTA project meets the requirements of this bill and toll collection on that project is not scheduled to begin until January of 2014.

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 10 percent of adjusted gross income. Tolls paid when traveling to or from volunteer work may be deducted as a charitable contribution. The amount of tolls paid when moving may be deducted as moving expenses. Further, Armed Forces reservists who travel more than 100 miles from home in connection with their performance of services as a member of the reserves may deduct the amount of any tolls paid as a traveling expense.

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.

Virginia Law

The PPTA allows the Commonwealth, its agencies, local governments, and other public entities to enter into agreements that authorize private entities to develop and/or operate qualifying transportation facilities under an agreement with a responsible public entity. The PPTA was intended to address the fact that the existing methods of developing and/or operating transportation facilities in the Commonwealth were not adequately addressing the public need for the timely development and/or operation of transportation facilities that would improve safety, reduce congestion, increase capacity, and/or enhance economic efficiency. Virginia Route 895 (the Pocahontas Parkway), Route 288 in Powhatan County, and Route 199 around Williamsburg were developed under the PPTA, and several more PPTA projects are currently under development.

Proposed Legislation

This bill would create an individual income tax deduction equal to 50 percent of the amount paid by a qualified taxpayer for tolls in qualified localities in the Commonwealth. For the purposes of this tax credit, a "qualified taxpayer" would be defined as a taxpayer who resides in a qualified locality. A "qualified locality" would be defined as a locality in

which the annual unemployment rate is higher than the statewide average unemployment rate and (i) in which a public-private transportation project is located, regardless of whether such project is in progress or is completed, that includes tolling as a funding component of the project or (ii) that is contiguous to a locality in which a public-private transportation project is located. This bill would require the Department of Taxation to publish a list of qualified localities on its website and to update that list annually.

This bill would be effective for taxable years beginning on or after January 1, 2013.

Similar Bills

House Bill 1963 is identical to this bill.

cc : Secretary of Finance

Date: 1/12/2013 mth
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