

DEPARTMENT OF TAXATION

2014 Fiscal Impact Statement

1. **Patron** Matthew James

3. **Committee** House Finance

4. **Title** Taxable Income; Deduction for Payment of
Certain Tolls

2. **Bill Number** HB 347

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would allow a qualified taxpayer to deduct from his Virginia adjusted gross income an amount equal to 50 percent of the amount paid by the taxpayer for tolls in a qualified locality.

This bill would be effective for taxable years beginning on or after January 1, 2014.

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

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

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("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 impact on General Fund revenue, beginning in Fiscal Year 2015. Projects under the Public-Private Transportation Act of 1995 ("PPTA") would qualify as public-private transportation projects under this bill. Currently, only one PPTA project meets the requirements of this bill, and toll collection on that project is

scheduled to commence on February 1, 2014. The Department does not have sufficient data to determine the amount of tolls to be paid that would qualify for this deduction.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Federal Law

Under federal law, there are no deductions specifically for the amount of tolls paid. There are, however, several federal income tax deductions that allow for the deduction of certain toll payments. Tolls paid during business travel 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. Such medical expenses, however, 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. Finally, members of the National Guard or military reserve who travel more than 100 miles from home in connection with their performance of service as a reservist 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. The deduction for reserve members who travel more than 100 miles is an above-the-line deduction that may be claimed by individuals even if they do not itemize their deductions. All of these federal deductions are taken into account when taxpayers file their Virginia income tax returns.

Virginia PPTA Projects

The Private-Public Transportation Act (PPTA), enacted by the General Assembly in 1995, allows private entities to enter into agreements with responsible public entities to construct, improve, maintain, and operate public transportation facilities in Virginia. The PPTA encourages private sector innovation and investment in transportation projects, offers cost efficiencies through risk transfer, and expedites delivery of critical infrastructure projects. Virginia State Route 895 (Pocahontas Parkway), State Route 288 (World War II Veterans Memorial Highway), and State Route 199 are examples of transportation projects completed under the PPTA, and several other PPTA projects are currently under construction.

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.

One PPTA Project, the Elizabeth River Tunnel Project, is scheduled to begin toll collection on February 1, 2014. This project is located in the cities of Portsmouth and Norfolk and includes the following: (i) a new two-lane tunnel under the Elizabeth River adjacent to the existing Midtown Tunnel, (ii) an extension of the Martin Luther King Freeway from London Boulevard to Virginia Interstate 264, and (iii) maintenance and safety improvements to the existing Midtown and Downtown Tunnels.

For purposes of this bill, 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 described in clause (i). For the Elizabeth River Tunnel Project, the cities of Portsmouth and Norfolk would meet the definition of a qualified locality. In addition, the cities of Chesapeake, Suffolk, and Virginia Beach could also be considered qualified localities, based on their proximity to the Elizabeth River Tunnel Project site. Using 2012 unemployment data, however, the city of Virginia Beach would not meet the definition of a “qualified locality” because its annual unemployment rate (5.6 percent) was lower than Virginia’s average unemployment rate (5.9 percent).

This bill would require the Department of Taxation to publish annually an updated list of qualified localities on its website.

This bill would be effective for taxable years beginning on or after January 1, 2014.

cc : Secretary of Finance

Date: 1/14/2014 mjm
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