

DEPARTMENT OF TAXATION

2016 Fiscal Impact Statement

1. **Patron** Janet D. Howell

3. **Committee** Senate Finance

4. **Title** Individual Income Tax; Personal Exemption
Amounts

2. **Bill Number** SB 289

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would increase the individual income tax personal exemption amount from \$930 to \$1,000. The bill would also increase the additional personal exemption for age or blindness from \$800 to \$900.

This bill would be effective for taxable years beginning on or after January 1, 2017.

6. Budget amendment necessary: No.

7. No Fiscal Impact. (See Line 8.)

8. Fiscal implications:

Administrative Costs

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

Revenue Impact

This bill would have a negative General Fund revenue impact of \$13.9 million in Fiscal Year 2017, \$28.1 million in Fiscal Year 2018, \$27.8 million in Fiscal Year 2019, \$27.9 million in Fiscal Year 2020, \$28.1 million in Fiscal Year 2021, and \$28.2 million in Fiscal Year 2022. No budget amendment is needed because the General Fund revenue impact is assumed in the Introduced Executive Budget.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Virginia Personal Exemptions

Currently, a \$930 personal exemption may be claimed for each person filing a return (for married couples, each spouse is entitled to an exemption) and for each dependent claimed on a federal income tax return. Virginia's personal exemptions were originally modeled after the federal personal exemptions. In 1971, when Virginia studied conforming to federal income tax law, Virginia's personal exemptions were originally intended to be the same as the federal personal exemptions. However, by 1972, when Virginia voted to conform to federal income tax law, Virginia's personal exemption amount was less than the federal amount because Virginia did not conform to the 1972 federal increase. Virginia's personal exemption amounts have changed over the years, as shown below:

Year(s)	Virginia Personal Exemption
1972	\$600
1973-1986	\$600
1987	\$700
1988-2005	\$800
2006-2007	\$900
2008-present	\$930

In addition to the \$930 personal exemption, an \$800 personal exemption for age or blindness may be claimed for each filer who is blind or who has attained the age of 65 before the close of the taxable year. Virginia's additional personal exemptions for age or blindness have changed over the years, as shown below:

Year(s)	Personal Exemption for Blindness/Age
1972	\$600
1973-1986	\$600 for blindness \$1,000 for age
1987	\$900
1988-present	\$800

Beginning in Taxable Year 1973, the General Assembly allowed an additional \$400 personal exemption for taxpayers who claimed the additional federal personal exemption for age. Therefore, for Taxable Years 1973 through 1986, the total Virginia additional personal exemption for age was \$1,000. There was no additional amount allowed for blindness. Thus, taxpayers who claimed the federal personal exemption for blindness would be entitled to only a \$600 additional personal exemption on Virginia returns filed from 1973 through 1986.

Federal Personal Exemptions

A personal exemption may be claimed for each person filing a return (for married couples, each spouse is entitled to an exemption) and for each person who can be claimed as a

dependent. Effective in 1985, 1986, and all taxable years after 1989, the federal personal exemptions—as well the standard deduction, tax rate brackets, and other federal tax provisions—have been subject to annual adjustments for inflation, using the U.S. Department of Labor Consumer Price Index for Urban Consumers. For Taxable Year 2015, a \$4,000 federal personal exemption may be claimed. This amount is increased to \$4,050 for Taxable Year 2016.

Taxpayers may lose a part or all of the benefit of their federal personal exemptions if their adjusted gross income (“AGI”) is above a certain amount. For Taxable Year 2016, the personal exemption begins to be phased out for single filers (other than surviving spouses and heads of household) with an AGI of \$259,400 or more. The personal exemption is completely phased out for single filers with an AGI of \$381,900 or more.

Current federal law does not allow for additional personal exemptions for age or blindness. From 1948 through 1986, federal law allowed for an additional personal exemption for such individuals. However, for taxable years beginning on or after January 1, 1987, the additional personal exemption for age or blindness was replaced with an additional standard deduction for such individuals. The additional federal standard deduction is subject to annual adjustments for inflation, using the U.S. Department of Labor Consumer Price Index for Urban Consumers. For Taxable Years 2015 and 2016, the additional standard deduction amount for the aged or the blind is \$1,250. The additional standard deduction amount is increased to \$1,550 if the individual is also unmarried and not a surviving spouse.

Proposed Legislation

This bill would increase the individual income tax personal exemption amount from \$930 to \$1,000. The bill would also increase the additional personal exemption for age or blindness from \$800 to \$900.

This bill would be effective for taxable years beginning on or after January 1, 2017.

Similar Bills

House Bill 540 is identical to this bill.

House Bill 215 would index the individual income tax brackets, standard deduction, and personal exemptions using the Consumer Price Index for All Urban Consumers (CPI-U).

cc : Secretary of Finance

Date: 1/22/2016 JJS
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