

# DEPARTMENT OF TAXATION

## 2016 Fiscal Impact Statement

1. **Patron** Glen H. Sturtevant

3. **Committee** Senate Finance

4. **Title** Income Tax; Lowers Individual Income Tax Rate For Each Tax Bracket.

2. **Bill Number** SB 512

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would lower the rate of taxation for each individual income tax bracket by one-quarter percent each year for four years. Therefore, for Taxable Year 2020 and each taxable year thereafter, the rate of taxation for each individual income tax bracket would be one percent lower than the rate under current law.

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

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

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

#### 7b. **Revenue Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2015-16	\$0	GF
2016-17	(\$459.2 million)	GF
2017-18	(\$1.128 billion)	GF
2018-19	(\$1.861 billion)	GF
2019-20	(\$2.659 billion)	GF
2020-21	(\$2.976 billion)	GF
2021-22	(\$3.111 billion)	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 have a negative General Fund revenue impact of \$459.2 million in Fiscal Year 2017, \$1.128 billion in Fiscal Year 2018, \$1.861 billion in Fiscal Year 2019, \$2.659 billion in Fiscal Year 2020; \$2.976 billion in Fiscal Year 2021; and \$3.111 billion in Fiscal Year 2022.

### **9. Specific agency or political subdivisions affected:**

Department of Taxation

### **10. Technical amendment necessary: No.**

### **11. Other comments:**

#### Virginia Individual Income Tax Rates and Tax Brackets

Under current law, the Virginia taxable income of an individual is taxed at the following rates:

<b>Virginia Taxable Income</b>	<b>Virginia Tax Rate</b>
\$0 to \$3,000	2%
\$3,001 to \$5,000	3%
\$5,001 to \$17,000	5%
\$17,001 or more	5.75%

In 1971, when Virginia studied conforming to federal income tax law, Virginia originally considered having only the first three tax brackets shown above. Therefore, the top marginal tax rate would have been 5%, applicable to Virginia taxable income of \$5,001 or more. However, by 1972, when Virginia voted to conform to federal income tax law, Virginia enacted four tax brackets at the same tax rates as under current law.

The amount of Virginia taxable income subject to Virginia's top marginal tax rate has changed over the years. The history of such changes from Taxable Year 1972 to the present is shown below.

<b>Year</b>	<b>Taxable Income Subject to 5.75% Tax Rate</b>
1972-1986	\$12,001 or more
1987	\$14,001 or more
1988	\$15,001 or more
1989	\$16,001 or more
1990-Present	\$17,001 or more

## Proposed Legislation

This bill would lower the rate of taxation for each individual income tax bracket by one-quarter percent each year for four years. Therefore, Virginia would have the following tax rates, shown below:

Virginia Taxable Income	Tax Rates				
	2016 and Years Prior	2017	2018	2019	2020 and thereafter
\$0 to \$3,000	2%	1.75%	1.5%	1.25%	1%
\$3,001 to \$5,000	3%	2.75%	2.5%	2.25%	2%
\$5,001 to \$17,000	5%	4.75%	4.5%	4.25%	4%
\$17,001 or more	5.75%	5.5%	5.25%	5%	4.75%

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

### Similar Bills

**House Bill 215** and **Senate Bill 733** would index the individual income tax brackets, standard deduction, and personal exemptions using the Consumer Price Index for All Urban Consumers (CPI-U).

**House Bill 1095** would reduce the top marginal individual income tax rate from 5.75 percent on income in excess of \$17,000 to five percent on income in excess of \$5,000.

**Senate Bill 570** would increase the maximum income within each individual income tax bracket by \$1,000 and would reduce the rate of taxation for the lowest individual income tax bracket to zero percent.

**Senate Bill 757** would replace Virginia's four individual income tax brackets with one tax bracket, which would apply a 5.75% tax rate to all Virginia taxable income. The bill would also increase the standard deduction from \$6,000 to \$15,000 for married persons and from \$3,000 to \$7,500 for single individuals and for married individuals filing separate returns.

cc : Secretary of Finance

Date: 2/1/2016 JJS  
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