

DEPARTMENT OF TAXATION

2019 Fiscal Impact Statement

1. **Patron** Thomas K. Norment, Jr.

2. **Bill Number** SB 1630

3. **Committee** Senate Finance

House of Origin:

X **Introduced**

 Substitute

 Engrossed

4. **Title** Individual Income Tax; Refund for Certain Taxpayers

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would provide a tax refund to taxpayers in an amount equal to \$150 for individuals and \$300 for married persons filing a joint return. The refund would only be provided if, after the application of any deductions, subtractions, or credits, an individual's tax liability exceeds \$150 and the tax liability of married persons filing jointly exceeds \$300. The credit would be provided for Taxable Year 2018 through Taxable Year 2025.

This bill contains an emergency clause which states that it would be in force from its passage.

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

Item(s): Page 1, Revenue Estimates
273 and 275, Department of Taxation

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

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2018-19	\$246,306	0	GF
2019-20	\$1,711,700	0	GF

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2018-19	(\$560.41 million)	GF
2019-20	(\$631.58 million)	GF
2020-21	(\$639.17 million)	GF
2021-22	(\$646.75 million)	GF
2022-23	(\$655.00 million)	GF
2023-24	(\$664.03 million)	GF
2024-25	(\$673.14 million)	GF

8. Fiscal implications:

Administrative Costs

In order to implement the standard deduction change in the middle of tax filing season, the Department of Taxation ("the Department") would incur costs of \$246,306 in FY 2019, \$1,711,700 in FY 2020, and minimal costs each year thereafter. These costs include the costs of determining which taxpayers would be entitled to the additional refund, postage and mailing of refund checks, as well as hiring additional wage employees to handle the increased processing and correspondence.

Revenue Impact

This bill would result in a negative General Fund revenue impact of \$560.41 million in Fiscal Year 2019, \$631.58 million in Fiscal Year 2020, \$639.17 million in Fiscal Year 2021, \$646.75 million in Fiscal Year 2022, \$655.00 million in Fiscal Year 2023, \$664.03 million in Fiscal Year 2024, and \$673.14 million in Fiscal Year 2025. If this bill is enacted, the budget would need to be adjusted to reduce the revenue estimate by \$560.41 million in Fiscal Year 2019 and \$631.58 million in Fiscal Year 2020.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

History of Virginia's Response to Federal Tax Reform

During the 1987 Session, the General Assembly enacted legislation in response to the federal Tax Reform Act of 1986 that increased the:

- Amounts of the personal exemption and standard deduction;
- Threshold for the top individual income tax rate bracket; and
- Individual income tax filing threshold.

This legislation also required excess revenues from federal tax reform to be set aside in a special fund for purposes of providing future tax relief.

During the 1989 Session, the General Assembly enacted legislation that utilized such revenue to provide a one-time, nonrefundable individual income tax credit in an amount equal to \$35 per personal and dependent exemption claimed. Taxpayers with Virginia adjusted gross income of less than \$17,000 for individuals and \$34,000 for married persons filing joint returns received the full amount of the credit. The amount of the credit declined gradually based on a taxpayer's income in excess of such amounts so that a taxpayer with Virginia adjusted gross income greater than \$34,000 for individuals and \$68,000 for married persons filing joint returns received no credit.

During the 1989 Session, the General Assembly also enacted a smaller \$22.50 tax credit for Taxable Year 1990 through Taxable Year 1993. However, this credit was repealed during the 1990 Session in order to instead eliminate the sales and use tax on nonprescription drugs.

Proposed Legislation

This bill would provide a tax refund to taxpayers in an amount equal to \$150 for individuals and \$300 for married persons filing a joint return. The refund would only be provided if, after the application of any deductions, subtractions, or credits, an individual's tax liability exceeds \$150 and the tax liability of married persons a filing joint return exceeds \$300. The credit would be provided for Taxable Year 2018 through Taxable Year 2025.

This bill contains an emergency clause which states that it would be in force from its passage.

Similar Bills

Senate Bill 1657 would provide a nonrefundable individual income tax credit in an amount equal to \$250 for an individual or \$500 for married persons filing a joint return.

cc : Secretary of Finance

Date: 1/21/2019 RWC
SB1630F161