

DEPARTMENT OF TAXATION 2020 Fiscal Impact Statement

1. **Patron** Danica A. Roem

3. **Committee** House Finance

4. **Title** Department of Taxation and Department of Social Services; Authority to Share Certain Taxpayer Information

2. **Bill Number** HB 341

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would expand the types of confidential tax information that the Department of Taxation ("the Department") is authorized to share with Department of Social Services ("DSS") by allowing the two agencies to enter into a written agreement to provide information, upon written request, regarding whether a taxpayer has claimed the federal earned income tax credit ("EITC"), the Virginia EITC, and the Virginia Tax Credit for Low-Income Individuals.

This bill would also expand the purposes for which DSS can obtain confidential tax information by allowing the Department to disclose such information to the extent that DSS intends to use it to facilitate the administration of outreach and enrollment related to the federal EITC, the Virginia EITC, and the Virginia Tax Credit for Low-Income Individuals.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

This is a Department of Social Services bill.

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

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

8. **Fiscal implications:**

Administrative Costs

The Department and DSS consider this bill as routine, and do not require additional funding.

Revenue Impact

This bill would not have a direct impact on General Fund revenues.

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

Department of Taxation
Department of Social Services

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Unless an exception applies, the Tax Commissioner, commissioner of the revenue, treasurer, and their staff may not divulge any information acquired in the performance of their duties with respect to the transactions, property, including personal property, income or business of any person, firm or corporation ("confidential tax information"). It is also unlawful for any person to disseminate any confidential tax document which he knows or has reason to know is a confidential tax document. Any person who violates these provisions is guilty of a Class 1 misdemeanor.

There is currently an exception that authorizes the Department to provide the Commissioner of DSS, upon written request, information regarding the amount of income, filing status, number and type of dependents of taxpayers, and Forms W-2 and 1099, to facilitate the administration of public assistance or social services benefits or child support services. DSS is authorized to disseminate client information to the Department for purposes of providing such specified tax information.

Prior to July 1, 2019, the Department was also permitted to disclose information regarding whether a federal EITC had been claimed as reported by persons on their state income tax returns. During the 2019 Session, the General Assembly enacted legislation that eliminated the ability of the Department to disclose such information to DSS.

Federal Earned Income Tax Credit

The federal EITC is a refundable tax credit for eligible individuals who have earned income in a taxable year that is below certain threshold amounts. The amount of the federal EITC is based on the presence and number of qualifying children in the worker's family, as well as the amount of the worker's federal adjusted gross income ("AGI") and earned income. For purposes of the federal EITC, earned income includes any wages, salaries, tips, and other employee compensation includible in an individual's gross income, plus the individual's net earnings from self-employment without regard to the federal deduction for self-employment taxes. To qualify for the federal EITC for Taxable Year 2020, an individual's AGI and earned income must be less than:

- \$50,594 (\$56,844 for married filing jointly) if they have three or more qualifying children;
- \$47,440 (\$53,330 for married filing jointly) if they have two qualifying children;
- \$41,756 (\$47,646 for married filing jointly) if they have one qualifying child; or
- \$15,820 (\$21,710 for married filing jointly) if they do not have a qualifying child

The maximum federal EITC for Taxable Year 2020 is \$6,660 with three or more qualifying children; \$5,920 with two qualifying children; \$3,584 with one qualifying child; and \$538 with no qualifying children.

Virginia Low-Income Tax Credits

Virginia allows an individual to claim either a credit equal to 20 percent of the federal EITC that was claimed for the taxable year or the Tax Credit for Low-Income Individuals.

- Virginia allows a nonrefundable individual income tax credit equal to 20 percent of the federal EITC claimed by an individual for the taxable year. The credit is for any individual or married persons that are eligible for the federal EITC for the taxable year and claimed such a credit.
- The Tax Credit for Low-Income Individuals is a nonrefundable individual income tax credit equal to \$300 each for the individual, the individual's spouse, and any person claimed as a dependent on such individual's or married person's income tax return for the taxable year.

No household may claim both credits in the same taxable year. For purposes of these credits, "household" means an individual or married persons, regardless of whether such married persons file joint or separate Virginia individual income tax returns.

Proposed Legislation

This bill would expand the types of confidential tax information that the Department is authorized to share with DSS by allowing the two agencies to enter into a written agreement to provide information, upon written request, regarding whether a taxpayer has claimed the federal EITC, the Virginia EITC, and the Virginia Tax Credit for Low-Income Individuals.

This bill would also expand the purposes for which DSS can obtain confidential tax information by allowing the Department to disclose such information to the extent that DSS intends to use it to facilitate the administration of outreach and enrollment related to the federal EITC, the Virginia EITC, and the Virginia Tax Credit for Low-Income Individuals.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

cc : Secretary of Finance

Date: 1/16/2020 JJS
HB341F161