

# DEPARTMENT OF TAXATION

## 2020 Fiscal Impact Statement

1. **Patron** Thomas C. Wright, Jr.

2. **Bill Number** HB 54

3. **Committee** House Finance

**House of Origin:**

           **Introduced**

  X   **Substitute**

           **Engrossed**

4. **Title** Individual Income Tax; Increase Age  
Deduction Income Thresholds for Married  
Filers

**Second House:**

           **In Committee**

           **Substitute**

           **Enrolled**

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

This bill would increase the threshold at which the age deduction for married taxpayers born after January 1, 1939 is subject to an income-based limitation from \$75,000 to \$80,000 for Taxable Year 2020, \$85,000 for Taxable Year 2021, \$90,000 for Taxable Year 2022, \$95,000 for Taxable Year 2023, and \$100,000 for Taxable Year 2024 and thereafter.

This bill would be effective for taxable years beginning on and after January 1, 2020.

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

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>
2020-21	(\$8.1 million)	GF
2021-22	(\$15.7 million)	GF
2022-23	(\$23.0 million)	GF
2023-24	(\$30.0 million)	GF
2024-25	(\$36.6 million)	GF
2025-26	(\$36.6 million)	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 \$8.1 million for Fiscal Years 2021, \$15.7 million for Fiscal Year 2022, \$23.0 million for Fiscal Year 2023, \$30.0 million for Fiscal Year 2024, \$36.6 million for Fiscal Year 2025, and \$36.6 million for

Fiscal Year 2026. This bill would increase the amount of the age deduction available to certain married taxpayers who are currently able to claim the deduction, but are limited to the extent the deduction's income-based limitation applies. In addition, this bill would allow additional married taxpayers to claim the deduction who are currently excluded by operation of the limitation.

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

Department of Taxation

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

**11. Other comments:**

Current Law

Virginia provides an individual income tax deduction to certain taxpayers based on their age. For taxpayers born on or before January 1, 1939, the deduction is equal to \$12,000.

For taxpayers born after January 1, 1939, the age deduction is subject to an income-based limitation. This limitation reduces the \$12,000 deduction by \$1 for every \$1 that the taxpayer's adjusted federal adjusted gross income exceeds \$50,000 for single taxpayers or \$75,000 for married taxpayers. For married taxpayers filing separately, the deduction is reduced by \$1 for every \$1 that the total combined adjusted federal adjusted gross income of both spouses exceeds \$75,000.

"Adjusted federal adjusted gross income" is defined as federal adjusted gross income minus any benefits received under Title II of the Social Security Act and other benefits subject to federal taxation solely under Internal Revenue Code ("IRC") § 86.

Proposed Legislation

This bill would increase the threshold at which the age deduction for married taxpayers born after January 1, 1939 is subject to an income-based limitation from \$75,000 to \$80,000 for Taxable Year 2020, \$85,000 for Taxable Year 2021, \$90,000 for Taxable Year 2022, \$95,000 for Taxable Year 2023, and \$100,000 for Taxable Year 2024 and thereafter.

This bill would be effective for taxable years beginning on and after January 1, 2020.

cc : Secretary of Finance

Date: 2/2/2020 JLOF  
HB54FH1161