

DEPARTMENT OF TAXATION

2021 Fiscal Impact Statement

1. **Patron** G. John Avoli

3. **Committee** House Finance

4. **Title** Individual Income Tax; Deduction for
Multigenerational Residences

2. **Bill Number** HB 1955

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would provide an individual income tax deduction of \$1,000 for the head of household taxpayer or married taxpayers filing jointly in a multigenerational residence in Virginia comprised of no less than two adult parent-child generations who are living together for the duration of the taxable year in which the deduction is claimed.

This bill would be effective for taxable years beginning on and after January 1, 2021.

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

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

8. **Fiscal implications:**

Administrative Costs

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

Revenue Impact

This bill would have an unknown, but potentially significant, negative General Fund revenue impact beginning in Fiscal Year 2022. It is uncertain to what extent taxpayers will be eligible for and claim the deduction that this bill would provide. According to data from the Pew Research Center, approximately 64 million people in the United States live in multigenerational households. Based on this information, the Department estimates that approximately 325,000 Virginians would be eligible for the deduction that this bill would provide. Therefore, the negative revenue impact associated with this deduction could be as high as \$17 million annually.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

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cc : Secretary of Finance

Date: 1/29/2021 JLOF
HB1955F161