

DEPARTMENT OF TAXATION

2022 Fiscal Impact Statement

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| 1. Patron Emmett W. Hanger, Jr. | 2. Bill Number <u>SB 579</u> |
| | House of Origin: |
| | <u> </u> Introduced |
| | <u> </u> Substitute |
| | <u> </u> Engrossed |
| 3. Committee Passed House and Senate | |
| 4. Title Individual Income Tax; Refund for Certain Taxpayers | Second House: |
| | <u> </u> In Committee |
| | <u> </u> Substitute |
| | <u> X </u> Enrolled |

5. Summary/Purpose:

This bill would provide a tax refund to taxpayers in an amount equal to that which is specifically set forth in the Appropriation Act. A taxpayer would be required to file a final individual income tax return on or before November 1, 2022 to qualify for the refund that this bill would provide. A refund would only be allowed up to the amount of such individual's or married person's tax liability after the application of any deductions, subtractions, or credits to which the individual or married persons are otherwise entitled.

This bill would be effective for taxable years beginning on and after January 1, 2021, but before January 1, 2022.

This is Executive Legislation.

- 6. Budget amendment necessary:** No.
- 7. Fiscal Impact Estimates are:** Unknown. (See Line 8.)
- 8. Fiscal implications:**

Administrative Costs

The Department of Taxation would incur costs of \$638,475 in FY 2022, \$785,303 in FY 2023, and \$93,375 in FY 2024. These costs include the costs of determining which taxpayers would be entitled to the additional refund, processing of refunds, and hiring additional wage employees to handle the increased processing and correspondence. No budget amendment is necessary with respect to such administrative costs because they are assumed in the 2022 Appropriation Act (Special Session I, Chapter 2) and the 2022 Amendments to the 2021 Appropriation Act (Special Session I, Chapter 1).

Revenue Impact

As the 2022 Appropriation Act (Special Session I, Chapter 2) and the 2022 Amendments

to the 2021 Appropriation Act (Special Session I, Chapter 1) provide a refund in an amount equal to \$250 for individuals and \$500 for married persons filing jointly, this bill would have a negative General Fund revenue impact of \$1.0486 billion in Fiscal Year 2023. No budget amendment is needed as this revenue adjustment is assumed in the 2022 Appropriation Act (Special Session I, Chapter 2).

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Refunds for Taxable Year 2018 Filers

During the 2019 Session, the General Assembly enacted legislation that provided a refund of up to \$110 to an individual or up to \$220 to married persons filing a joint return. In order to receive a refund, the individual or married persons were required to file a final return for Taxable Year 2018 before July 1, 2019. A refund was only allowed up to the amount of such individual's or married person's tax liability after the application of any deductions, subtractions, or credits to which the individual or married persons are otherwise entitled. Any refund continued to be subject to collection under Virginia's Setoff Debt Collection Act.

Proposed Legislation

This bill would provide a tax refund to taxpayers in an amount equal to that which is specifically set forth in the Appropriation Act. A taxpayer would be required to file a final individual income tax return on or before November 1, 2022 to qualify for the refund that this bill would provide. A refund would only be allowed up to the amount of such individual's or married person's tax liability after the application of any deductions, subtractions, or credits to which the individual or married persons are otherwise entitled.

Any refunds issued under this bill would be subject to collection under the provisions of Virginia's Setoff Debt Collection Act.

This bill would be effective for taxable years beginning on and after January 1, 2021, but before January 1, 2022.

cc : Secretary of Finance

Date: 7/20/2022 JJS
SB579FER161