

DEPARTMENT OF TAXATION

2023 Fiscal Impact Statement

1. **Patron** Siobhan S. Dunnavant
3. **Committee** Senate Finance and Appropriations
4. **Title** Individual Income Tax; Right to Life Tax Credit

2. **Bill Number** SB 1529
- House of Origin:**
 X **Introduced**
 Substitute
 Engrossed
- Second House:**
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would allow a refundable individual income tax credit of \$250 for each birth of a dependent member of a taxpayer's household during the taxable year. The credit would only be available to a family with an annual household income that is not in excess of 400 percent of the current poverty guidelines. The credit would be subject to an aggregate cap of \$25 million per taxable year. Credits would be allocated on a pro rata basis if applications exceed such aggregate cap.

This bill would be effective for taxable years beginning on and after January 1, 2023, but before January 1, 2028.

6. **Budget amendment necessary:** Yes
Item(s): Page 1, Revenue Estimates
274 and 276, Department of Taxation

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

7a. Expenditure Impact:

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Positions</i> | <i>Fund</i> |
|---------------------------|-----------------------|-------------------------|--------------------|
| 2023-24 | \$61,755 | 1 | GF |
| 2024-25 | \$78,500 | 1 | GF |
| 2025-26 | \$78,500 | 1 | GF |
| 2026-27 | \$78,500 | 1 | GF |
| 2027-28 | \$78,500 | 1 | GF |
| 2028-29 | \$78,500 | 1 | GF |

Administrative Costs

Based on data from the Centers for Disease Control ("CDC"), there were a total of 94,749 live births in Virginia in 2020. Given that only a portion of such births would qualify for the proposed credit, and that the birth rate has been declining by an average of 1.9 percent annually, it does not seem likely that the \$25 million cap would be exceeded. Therefore, it is assumed that taxpayers would be able to claim the credit on their returns without an application process, as contemplated by the bill.

Accordingly, the Department of Taxation ("the Department") would incur administrative costs of \$61,755 in Fiscal Year 2024 and ongoing annual costs of \$78,500 in Fiscal Year 2025 and thereafter. Such costs would include one FTE to administer the proposed tax credit program.

Revenue Impact

This bill would result in an unknown negative General Fund revenue impact beginning in Fiscal Year 2024. Because the credit would be subject to an annual \$25 million cap, the maximum annual revenue impact of this bill would be \$25 million.

8. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No

11. Other comments:

Sunset Dates for New Income Tax Credits and Sales Tax Exemptions

Section 3-5.14 of the 2022 Appropriation Act provides that any new sales tax exemption or tax credit enacted by the General Assembly after the 2019 Session, but prior to the 2024 Session, must have a sunset date of not later than June 30, 2025.

Proposed Legislation

This bill would allow a refundable individual income tax credit of \$250 for each birth of a dependent member of a taxpayer's household during the taxable year. The credit would only be available to a family with an annual household income that is not in excess of 400 percent of the current poverty guidelines. The credit would be subject to an aggregate cap of \$25 million per taxable year. Credits would be allocated on a pro rata basis if applications exceed such aggregate cap.

For purposes of this bill, "poverty guidelines" would be defined as the poverty guidelines for the 48 contiguous states and the District of Columbia updated annually in the Federal Register by the U.S. Department of Health and Human Services.

The Tax Commissioner would be required to develop guidelines for claiming the credit, and such guidelines would be exempt from the provisions of the Administrative Process Act.

This bill would be effective for taxable years beginning on and after January 1, 2023, but before January 1, 2028.

cc : Secretary of Finance

Date: 1/26/2023 SK
SB1529F161