

Senate Bill 564: Study

Department of Taxation and the Commission
on Local Government

June 27, 2024

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SB 564

As introduced this bill would have:

- ▶ Established an individual income tax subtraction for income received by a resident of an eligible double distressed locality that experienced an aggregate population loss of at least 8% since January 1, 2020
- ▶ The subtraction would have been up to \$36,450 of income earned by a resident of such a locality.

localities that are distressed or double distressed.

29. For taxable years beginning on and after January 1, 2019, any gain recognized from the taking of real property by condemnation proceedings.

30. For taxable years beginning before January 1, 2021, up to \$100,000 of all grant funds received by the taxpayer under the Rebuild Virginia program established by the Governor and administered by the Department of Small Business and Supplier Diversity.

31. For taxable years beginning on and after January 1, 2022, any compensation for wrongful incarceration awarded pursuant to the procedures established under Article 18.2 (§ 8.01-195.10 et seq.) of Chapter 3 of Title 8.01.

32. For taxable years beginning on and after January 1, 2024, up to \$36,450 of income earned by a resident of a Virginia locality (i) with an annual unemployment rate for the most recent calendar year for which such data is available that is greater than the final statewide average unemployment rate for that calendar year, (ii) with a poverty rate for the most recent calendar year for which such data is available that exceeds the statewide average poverty rate for that year, and (iii) that experienced an aggregate population loss of at least eight percent since January 1, 2020 based on the latest U.S. census or the latest population estimates made by the Weldon Cooper Center for Public Service of the University of Virginia, whichever is more recent.

SB 564

A substitute version of this bill would have:

- ▶ Established an individual income tax subtraction for income received by a resident of an eligible double distressed locality.
- ▶ The subtraction would have been:
 - ▶ \$5,000 for Taxable Year 2025,
 - ▶ \$10,000 for Taxable Year 2026, and
 - ▶ \$15,000 for Taxable Years 2027 through 2029.

32. a. For taxable years beginning on and after January 1, 2025, but before January 1, 2026, up to \$5,000 of income received by a resident of an eligible double distressed locality; for taxable years beginning on and after January 1, 2026, but before January 1, 2027, up to \$10,000 of income received by a resident of an eligible double distressed locality; and for taxable years beginning on and after January 1, 2027, but before January 1, 2030, up to \$15,000 of income received by a resident of an eligible double distressed locality.

b. For purposes of subdivision a, "eligible double distressed locality" means a locality (i) in Planning District 1, 2, 3, 13, 15, or 19; (ii) with an annual unemployment rate for the most recent calendar year for which such data is available as of December 31, 2023, that is greater than the final statewide average unemployment rate for that calendar year; (iii) with a poverty rate for the most recent calendar year for which such data is available as of December 31, 2023, that exceeds the statewide average poverty rate for that calendar year; and (iv) that experienced an aggregate population loss of at least 9.8 percent during the 10-year period ending December 31, 2023, based on the population estimates made by the Weldon Cooper Center for Public Service of the University of Virginia. No subtraction shall be allowed pursuant to subdivision a if a credit, exemption, subtraction, or deduction is claimed for the same income pursuant to any other provision of Virginia or federal law.

SB 564

As passed this bill required the Department of Taxation (“the Department”) and the Commission on Local Government (“the Commission”) to assess the need for income tax relief in double distressed localities experiencing significant population loss since 2013.

VIRGINIA ACTS OF ASSEMBLY -- 2024 SESSION

CHAPTER 599

An Act to direct the Department of Taxation and Commission on Local Government to assess the need for income tax relief in certain double distressed localities in the Commonwealth.

Approved April 5, 2024

[S 564]

Be it enacted by the General Assembly of Virginia:

1. § 1. That the Department of Taxation and the Commission on Local Government (the Commission) shall assess the need for income tax relief in double distressed localities across the Commonwealth that have suffered a significant loss of population since 2013. For purposes of this act, “double distressed locality” means a Virginia locality (i) with an annual unemployment rate for the most recent calendar year for which such data is available as of December 31, 2023, that is greater than the final statewide average unemployment rate for that calendar year and (ii) with a poverty rate for the most recent calendar year for which such data is available as of December 31, 2023, that exceeds the statewide average poverty rate for that calendar year. The assessment shall include (a) determining the cost-of-living increase experienced in such localities over the past decade, (b) determining whether income tax relief would alleviate population loss and fiscal distress in such localities, and (c) investigating tax policy options to alleviate the burden of income taxes on populations in double distressed localities that have suffered a significant loss of population since 2013. The Department of Taxation and the Commission shall collaborate with relevant stakeholders in double distressed localities in conducting their assessment. The Department of Taxation and the Commission shall report their recommendations to the Governor and the Chairmen of the Senate Committee on Finance and Appropriations and the House Committees on Finance and Appropriations by November 1, 2024.

The Department and the Commission shall assess the need for income tax relief in double distressed localities across the Commonwealth that have suffered a significant loss of population since 2013.

The study's considerations will include, but not be limited to:

- ▶ The cost-of-living increase experienced in qualifying localities over the past decade,
- ▶ Whether income tax relief would alleviate population loss and fiscal distress in qualifying localities, and
- ▶ Tax policy options to alleviate the burden of income taxes on populations in qualifying localities.



Step 1

Stakeholder's Meeting

- ▶ Assess the need for income tax relief in double distressed localities across Virginia that have suffered a significant loss of population since 2013.
- ▶ Review of SB 564.
- ▶ Discussion of policy options, ideas and obstacles.

Step 2

Policy Options and Comments-By July 31, 2024

- ▶ Presentation will be made available on the Virginia Tax webpage: <https://www.tax.virginia.gov/> (coming soon)
- ▶ Please Provide all Policy Options or any Comments in Writing:
 - ▶ By July 31, 2024
 - ▶ To: james.ford@tax.virginia.gov and legrand.northcutt@dhcd.virginia.gov
- ▶ Draft report will be circulated to stakeholders by September 16, 2024
- ▶ Please provide any additional written comments by October 1, 2024

- ▶ Final Report Submitted by November 1, 2024, to the following:
 - ▶ The Governor;
 - ▶ The Chairperson of the House Committee on Finance;
 - ▶ The Chairperson of the House Committee on Appropriations; and
 - ▶ The Chairperson of the Senate Committee on Finance and Appropriations.