



## **Economic Impact Analysis Virginia Department of Planning and Budget**

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**23 VAC 10-110– Virginia Individual Income Tax Regulations**  
**Department of Taxation**  
August 28, 2006

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### **Summary of the Proposed Amendments to Regulation**

The Department of Taxation proposes to repeal Sections 10, 50, 100, 120, 140, 210, 260, 290 and 300 in the existing Individual Income Tax Regulations. Sections 10 and 120 are in conflict with the corresponding Code of Virginia Sections because they did not address previous changes in the statutes. Sections 50, 100, 140, 210, 260, 290 and 300 provide no additional guidance to clear and unambiguous statutes.

### **Result of Analysis**

The proposed repeal is not likely to have any significant impact.

### **Estimated Economic Impact**

Section 10 (Income not subject to local taxation) states that “no city, county, town, or other political subdivision of the state may impose any tax or levy upon income. The right to impose an income tax rests exclusively with the state.” Chapter 245 of the 1989 Acts of Assembly amended the Code of Virginia Section § 58.1- 300 and authorized localities to impose a local income tax.<sup>1</sup> This change is not addressed in 23 VAC 10-110-10. When there is a conflict between the Code of Virginia and regulations, the Code of Virginia applies. Thus, eliminating Section 10 will have no impact.

Section 120 (Imposition of the tax) addresses the tax on the Virginia taxable income of every individual for each taxable year. The tax rates in the regulation are the same as those listed in the Code of Virginia Section § 58.1- 320, except for taxable income in excess of \$12,000 but

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<sup>1</sup> According to the Department of Taxation, no locality has utilized this authority.

not in excess of \$17,000. Chapter 9 of the 1987 Acts of General Assembly raised the taxable income level for the top tax rate from \$12,000 to \$17,000, phased in over four years, which essentially lowered the tax rates for taxable income in excess of \$12,000 but not in excess of \$17,000. Section 120 of the regulation does not reflect this change and thus has been in conflict with the Code. Eliminating Section 120 will have no impact, because the Code applies when conflict occurs between the Code and the regulations.

Section 50 (Assessment and payment of deficiency; fraud; penalties), 100 (Jeopardy assessments), 140 (Virginia taxable income; generally), 210 (Energy income tax credit), 260 (Place of filing), 290 (Voluntary contribution to political party) and 300 (Penalty for failure to file timely return) are essentially identical in meaning to Code Sections § 58.1- 308, § 58.1- 313, § 58.1- 322, § 58.1- 331, § 58.1- 343, § 58.1- 346 and § 58.1- 347, respectively. Repealing these sections therefore will have no impact.

## **Businesses and Entities Affected**

The proposed repeal of these regulations will not significantly affect businesses and entities.

## **Localities Particularly Affected**

No localities are particularly affected.

## **Projected Impact on Employment**

The proposed repeal of these regulations will not affect employment.

## **Effects on the Use and Value of Private Property**

The proposed repeal of these regulations will not significantly affect the use and value of private property.

## **Small Businesses: Costs and Other Effects**

The proposed repeal of these regulations will not significantly affect small businesses.

## **Small Businesses: Alternative Method that Minimizes Adverse Impact**

The proposed repeal of these regulations will not significantly affect small businesses.

## Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.