

Adverse impact notification sent to Joint Commission on Administrative Rules, House Committee on Appropriations, and Senate Committee on Finance (COV § 2.2-4007.04.C): Yes Not Needed

If/when this economic impact analysis (EIA) is published in the *Virginia Register of Regulations*, notification will be sent to each member of the General Assembly (COV § 2.2-4007.04.B).



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

23 VAC 10-20 General Provisions Applicable to All Taxes Administered by the Department of Taxation

Department of Taxation

Town Hall Action/Stage: 4558/7549

July 14, 2016

Summary of the Proposed Amendments to Regulation

The Department of Taxation proposes to repeal provisions that are no longer accurate due to statutory changes or duplicative of the statutory language and to consolidate certain provisions in the regulation.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

This regulation contains general provisions applicable to Individual Income, Fiduciary Income, and Corporation Income Taxes. The proposed regulation will repeal deadlines for amended returns and for reporting of changes or corrections to the federal taxable income. Numerous statutory changes in the 1992, 1996, 1998, 2006, and 2010 Virginia General Assembly sessions amended §§ 58.1-311 and 1823 of the Code of Virginia and rendered the current regulatory language incomplete and inaccurate. In addition, these regulatory provisions are unnecessary because they are duplicative of the information provided in the statute. Similarly, the due dates for returns of estates and trusts are duplicative of § 58.1-381 of the Code of Virginia. Repealing these provisions would update the regulations so that they are consistent with the statute. In addition, the definition of “final determination” is identical for all taxes in this

regulation and will be consolidated to apply to all of them. Since this regulatory action does not reflect any change in current tax policy or on the administration of any taxes, no economic effect is expected other than eliminating conflicting information between the Code of Virginia and the regulation that may cause confusion.

Businesses and Entities Affected

This regulation applies to individuals and businesses subject to Individual Income, Fiduciary Income, and Corporation Income Taxes. In the 2013 taxable year, 3,765,669 individual tax returns, 66,580 corporate income tax returns, and 67,637 fiduciary income tax returns were filed. In addition, according to the 2013 North American Industry Classification System, there were 1,154 certified public accountant (CPA) establishments, 628 non-CPA tax preparation establishments, and 1,187 non-CPA establishments offering accounting, bookkeeping, or billing services along with payroll services in Virginia.

Localities Particularly Affected

The proposed changes apply statewide.

Projected Impact on Employment

No impact on employment is expected.

Effects on the Use and Value of Private Property

No impact on the use and value of private property is expected.

Real Estate Development Costs

No impact on real estate development costs is expected.

Small Businesses:

Definition

Pursuant to § 2.2-4007.04 of the Code of Virginia, small business is defined as “a business entity, including its affiliates, that (i) is independently owned and operated and (ii) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million.”

Costs and Other Effects

The Department of Taxation estimates that there are about 143,612 small businesses with employees in Virginia. In addition, almost all tax preparation or payroll

service providers are small businesses. The proposed amendments do not impose costs on these entities, but will benefit them by elimination the inconsistencies between the statutes and the regulation.

Alternative Method that Minimizes Adverse Impact

No adverse impact on small businesses is expected.

Adverse Impacts:

Businesses:

A small percentage of the entities this regulation applies to is believed to be non-small businesses. The proposed amendments do not impose any adverse impact on them.

Localities:

The proposed amendments will not adversely affect localities.

Other Entities:

The proposed amendments will not adversely affect other entities.

Legal Mandates

General: The Department of Planning and Budget has analyzed the economic impact of this proposed regulation in accordance with § 2.2-4007.04 of the Code of Virginia (Code) and Executive Order Number 17 (2014). Code § 2.2-4007.04 requires that such economic impact analyses determine the public benefits and costs of the proposed amendments. Further the report should include but not be limited to: (1) the projected number of businesses or other entities to whom the proposed regulatory action would apply, (2) the identity of any localities and types of businesses or other entities particularly affected, (3) the projected number of persons and employment positions to be affected, (4) the projected costs to affected businesses or entities to implement or comply with the regulation, and (5) the impact on the use and value of private property.

Adverse impacts: Pursuant to Code § 2.2-4007.04(C): In the event this economic impact analysis reveals that the proposed regulation would have an adverse economic impact on businesses or would impose a significant adverse economic impact on a locality, business, or entity particularly affected, the Department of Planning and Budget shall advise the Joint Commission on Administrative Rules, the House Committee on Appropriations, and the Senate Committee on Finance within the 45-day period.

If the proposed regulatory action may have an adverse effect on small businesses, Code § 2.2-4007.04 requires that such economic impact analyses include: (1) an identification and estimate of the number of small businesses subject to the proposed regulation, (2) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the proposed regulation, including the type of professional skills necessary for preparing required reports and other documents, (3) a statement of the probable effect of the proposed regulation on affected small businesses, and (4) a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation. Additionally, pursuant to Code § 2.2-4007.1, if there is a finding that a proposed regulation may have an adverse impact on small business, the Joint Commission on Administrative Rules shall be notified.