

**DEPARTMENT OF TAXATION  
2024 Fiscal Impact Statement**

1. **Patron** Karen Keys-Gamarra

3. **Committee** House Finance

4. **Title** Individual Income Tax Deduction;  
Union Dues

2. **Bill Number** HB 165

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would provide an individual income tax deduction for the amount paid by an individual for union dues for participation in a labor organization.

This bill would be effective for taxable years beginning on and after January 1, 2024.

**6. Budget amendment necessary:** Yes.

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

**8. Fiscal implications:**

Administrative Costs

The Department of Taxation (“the Department”) considers implementation of this bill as routine and does not require additional funding.

Revenue Impact

This bill would result in an unknown, but likely significant, loss to General Fund revenue beginning in Fiscal Year 2025. As defined in the bill, a labor organization would be defined as any organization of any kind, or any agency or employee representation committee or plan,

- In which employees participate and
- That exists for the purpose, in whole or in part, of dealing with employers concerning grievances, labor disputes, wages, rates of pay, hours of employment, or conditions of work.

Accordingly, this bill would appear to apply to labor unions and other organizations that may represent employees in employment-related matters. According to the Bureau of Labor Statistics, there were 146,000 union members in Virginia in 2022. Assuming that the

average dues are 1.5 percent of the gross earnings of members, it is estimated that this bill would result in a deduction of approximately \$144 million, resulting in an estimated revenue loss of approximately \$7.7 million annually. The actual impact would depend on the amount of dues paid and deducted by such individuals.

To the extent that this bill applies to non-labor unions that represent employees in employment-related matters, the unknown revenue loss would be greater. The number of employees represented by non-labor unions in employment-related matters and the dues paid by them is unknown.

**9. Specific agency or political subdivisions affected:**

Department of Taxation

**10. Technical amendment necessary: No.**

**11. Other comments:**

Federal Law

For federal income tax purposes, union dues were traditionally considered tax-deductible as unreimbursed employee expenses when taxpayers itemize deductions on their federal income tax return. However, the Tax Cuts and Jobs Act (Public Law 115-97) eliminated the deduction for union dues and all employee expenses for those who choose to itemize deductions for Taxable Years 2018 through 2025.

Proposed Legislation

This bill would provide an income tax deduction for the amount paid by an individual for required union dues for participation in a labor organization.

"Labor organization" would be defined as any organization of any kind, or any agency or employee representation committee or plan, in which employees participate and that exists for the purpose, in whole or in part, of dealing with employers concerning grievances, labor disputes, wages, rates of pay, hours of employment, or conditions of work.

"Union dues" would be defined as the total amount of dues, fees, assessments, or other charges or expenses required of members of, or public employees represented by, a labor organization.

This bill would be effective January 1, 2024.

cc : Secretary of Finance

Date: 1/14/2024 SJH  
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