DEPARTMENT OF TAXATION
2025 Fiscal Impact Statement

1. **Patron** Phil M. Hernandez

2. **Bill Number** HB 1979
House of Origin:
X **Introduced**
_____ **Substitute**
_____ **Engrossed**

Second House:
_____ **In Committee**
_____ **Substitute**
_____ **Enrolled**

3. **Committee** House Finance

4. **Title** Wage garnishment; state tax debt

5. **Summary/Purpose:**

This bill would remove the exclusion for state tax debt from limitations on the total amount of wages that may be garnished per pay period. As a result, state tax debts under this bill would become subject to the following two restrictions regarding the maximum amount of disposable earnings for any workweek that the Department may garnish:

- Twenty-five percent of his disposable earnings for that week; or
- The amount by which his disposable earnings for that week exceed 40 times the greater of:
    - The federal minimum hourly wage or
    - The Virginia minimum hourly wage.

As the Virginia minimum hourly wage is currently higher than the federal, the Virginia minimum wage would apply in computing the restriction above.

If passed during the 2025 regular General Assembly session, this bill would be effective on July 1, 2025.

6. **Budget amendment necessary:** Yes.
Item(s): 258 and 260: Department of Taxation

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

Fiscal Year	***Dollars***	***Positions***	***Fund***
2025-26	$366,676	4	GF
2026-27	$362,844	4	GF
2027-28	$370,312	4	GF
2028-29	$377,780	4	GF
2029-30	$385,752	4	GF
2030-31	$393,712	4	GF

8. Fiscal implications:

Administrative Costs

Due to the system and form changes required by this bill and the resources already committed to implementing legislation enacted during the 2023 General Assembly session, the Department would be unable to implement this legislation by the effective date specified by this bill. As a result, the Department requests a delayed effective date of July 1, 2026. This would allow time to make the technology changes described below. See Line 10.

If a delayed effective date is adopted, the provisions of this bill limiting state tax garnishments to a 25% of disposable weekly earnings threshold are considered "routine," and the Department requires no additional funding.

The provisions of this bill limiting state tax garnishments to the 40 times minimum wage threshold would result in costs to Department, as shown on Line 7a. These costs are for programing and system updates. This would also require the hiring and training of four full-time employees to support the phone call and correspondence increase from employers.

Revenue Impact

This bill would result in an unknown negative revenue loss.

9. Specific agency or political subdivisions affected:

Department of Taxation
Local Governments

10. Technical amendment necessary: Yes.

Due to the system and form changes required by this bill and the resources already committed to implementing legislation enacted during the 2023 General Assembly session, the Department requests a delayed effective date of July 1, 2026 as follows:

Line 55 at the beginning of the line
Insert 2. That this act shall be effective for garnishments issued after June 30, 2026.

11. Other comments:

Background

The Department's lien forms sent to employers contains instructions to reduce the amount taken from the employee's paycheck if hardship is claimed based on a table printed on the form. The amounts in the table are based on the number of dependents that the employee has as well as the standard deduction and personal exemptions. This is similar to the exemption table that the IRS sends with its wage levies to employers.

In many cases the employers tell their employees to call the Department, and the Department's collection staff routinely reduce the percentage taken from the paycheck or set up a payment plan.

Proposal

This bill would remove the exclusion for state tax debt from limitations on the total amount of wages that may be garnished per pay period. As a result, state tax debts under this bill would become subject to the following two restrictions regarding the maximum amount of disposable earnings for any workweek that the Department may garnish:

- Twenty-five percent of his disposable earnings for that week; or

- The amount by which his disposable earnings for that week exceed 40 times the greater of:
  - The federal minimum hourly wage or
  - The Virginia minimum hourly wage.

As the Virginia minimum hourly wage is currently higher than the federal, the Virginia minimum wage would apply in computing the restriction above.

If passed during the 2025 regular General Assembly session, this bill would be effective on July 1, 2025.

cc : Secretary of Finance

Date: 01/26/2025 JPJ
HB1979F161