

**DEPARTMENT OF TAXATION  
2024 Fiscal Impact Statement**

- 1. **Patron** David R. Suetterlein
- 3. **Committee** Senate Finance and Appropriations
- 4. **Title** Individual Income Tax; Increases Standard Deduction

- 2. **Bill Number** SB 108  
**House of Origin:**  
  X   **Introduced**  
      **Substitute**  
      **Engrossed**  
  
**Second House:**  
      **In Committee**  
      **Substitute**  
      **Enrolled**

**5. Summary/Purpose:**

This bill would remove the sunset provision which currently applies to the current standard deduction amounts. As a result, the current standard deduction amounts would apply permanently and not expire after Taxable Year 2025.

Under current law, the standard deduction amounts are \$8,500 for single individuals and \$17,000 for married persons filing jointly, subject to specified revenue contingencies. Because of the sunset provision, the standard deduction is currently set to revert to \$3,000 for single individuals and \$6,000 for married persons filing jointly after Taxable Year 2025.

If enacted during the regular session of the 2024 General Assembly, this bill would become effective July 1, 2024.

**6. Budget amendment necessary:**

**7. Fiscal Impact Estimates are:** Preliminary. (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

Because the extension of the sunset date on the current standard deduction amount is assumed in the official General Fund revenue forecast, this bill would have no impact on General Fund revenues.

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

Department of Taxation

## 10. Technical amendment necessary: No

## 11. Other comments:

### Federal Standard Deduction

On December 22, 2017, the Tax Cuts and Jobs Act (Public Law 115-97) was signed into law. This federal tax reform legislation substantially changed the federal income taxation of individuals and businesses. These changes include substantially increasing the federal standard deduction and indexed the federal standard deduction for inflation. For Taxable Year 2023, the amount of the federal standard deduction, after indexing, is as follows:

- \$27,700 for married taxpayers filing jointly;
- \$20,800 for heads of household; and
- \$13,850 for single taxpayers and married taxpayers filing separately.

Like most other individual provisions of the TCJA, the increase in the amount of the federal standard deduction is currently scheduled to sunset after December 31, 2025, and revert to the amounts in the law prior to passage of the Tax Cuts and Jobs Act. Additional federal legislation would be required to make such increase effective beyond Taxable Year 2025.

### Virginia's Standard Deduction History

Under current law, taxpayers that do not itemize their deductions for federal purposes are permitted to claim a standard deduction on their Virginia income tax returns. Virginia's standard deduction amounts have changed over the years.

Prior to 1987, the Virginia standard deduction was not a flat amount. Instead, for Taxable Year 1986 for example, the Virginia standard deduction was 15 percent of federal adjusted gross income with a \$1,300 minimum and a \$2,000 maximum. In 1988, it increased to \$2,700 for both single individuals and married couples. From 1989 to 2004, the standard deduction for single taxpayers remained at \$3,000, while for married taxpayers, it increased to \$5,000 during this period. 2004 Special Session I increased the standard deduction for married individuals from \$5,000 to \$6,000 for Taxable Years beginning on or after January 1, 2005.

During the 2019 Session, the General Assembly enacted legislation that increased the amounts of Virginia's standard deduction from \$3,000 to \$4,500 for single individuals and from \$6,000 to \$9,000 for married couples filing jointly for Taxable Year 2019 through Taxable Year 2025. The sixth enactment clause of the 2022 Appropriation Act increased the standard deduction from \$4,500 to \$8,000 for single and from \$9,000 to \$16,000 for married filers filing jointly for Taxable Years beginning on or after January 1, 2022 but before January 1, 2026, contingent on achieving a minimum five percent annual revenue growth during specific periods.

## Virginia's Current Standard Deduction

The twentieth enactment clause of the 2023 Special Session I Amendments to the 2023 Appropriation Act increased the standard deduction from \$8,000 to \$8,500 for single filers and from \$16,000 to \$17,000 for married filers filing jointly for taxable years beginning on or after January 1, 2024, but before January 1, 2026.

However, the twenty-second enactment clause of such Act provided that the standard deduction increase is contingent on the Auditor of Public Accounts certifying individual withholding growth of at least the growth rate in the official revenue estimate contained in this Act for the six month period of July 2023 through December 2023. If withholding collection growth is not met for such six-month period, the standard deduction for Taxable Years beginning on and after January 1, 2024, but before January 1, 2026, will be \$8,000 for single individuals and \$16,000 for married persons filing jointly.

Virginia's current standard deduction amount is scheduled to sunset after Taxable Year 2025 and revert to the standard deduction amounts that applied prior to Taxable Year 2019: \$3,000 for single filers and \$6,000 for married couples filing jointly.

Virginia's standard deduction history from Taxable Year 1987 to the present is shown below:

<b>Year</b>	<b>Virginia Standard Deduction for Single Taxpayers</b>	<b>Virginia Standard Deduction for Married Taxpayers Filing Jointly</b>
1987	\$2,000	\$2,000
1988	\$2,700	\$2,700
1989-2004	\$3,000	\$5,000
2005-2018	\$3,000	\$6,000
2019-2021	\$4,500	\$9,000
2022-2023	\$8,000	\$16,000
2024-2025 (contingent on revenue growth)	\$8,500	\$17,000
2026 and following	\$3,000	\$6,000

## Proposed Legislation

This bill would remove the sunset provision which currently applies to the current standard deduction amounts. As a result, the current standard deduction amounts would apply permanently and not expire after Taxable Year 2025.

Under current law, the standard deduction amounts are \$8,500 for single individuals and \$17,000 for married persons filing jointly, subject to specified revenue contingencies. Because of the sunset provision, the standard deduction is currently set to revert to \$3,000 for single individuals and \$6,000 for married persons filing jointly after Taxable Year 2025.

If enacted during the regular session of the 2024 General Assembly, this bill would become effective July 1, 2024.

Similar Legislation

**House Bill 88** is identical to this bill.

cc : Secretary of Finance

Date: 1/14/2024 SJH  
SB108F161