

**REPORT OF THE  
JOINT SUBCOMMITTEE STUDYING THE**

# **Simplification of the Virginia Individual Income Tax**

**TO THE GOVERNOR AND  
THE GENERAL ASSEMBLY OF VIRGINIA**



## **House Document No. 35**

**COMMONWEALTH OF VIRGINIA  
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**Report of the  
Joint Subcommittee Studying The**

**Simplification of the Virginia  
Individual Income Tax  
To  
The Governor and the General Assembly of Virginia  
Richmond, Virginia  
January, 1984**

To: Honorable Charles S. Robb, Governor of Virginia  
and  
The General Assembly of Virginia

**I. EXECUTIVE SUMMARY**

The Joint Subcommittee has spent the last two years studying ways of simplifying the Virginia Individual Income Tax and in particular the feasibility and desirability of adopting a broad based income tax with a limited number of deductions and a single flat tax rate. Specifically, the Joint Subcommittee closely studied the impact of replacing the current graduated rate structure with a flat tax rate of 4.75% and providing for a single flat deduction of \$4,500 for a single person and \$9,000 for a married couple in lieu of the myriad of deductions, exemptions, and credits granted under the existing law. This concept would eliminate the present personal exemptions as well as the standard or itemized deductions.

The Joint Subcommittee believes that a flat rate, broad based income tax is a very attractive concept which has numerous beneficial features. However, the Joint Subcommittee does not believe that the Commonwealth is ready, at this time, to adopt this tax structure. The Joint Subcommittee does believe that Virginia should continue to study the flat rate concept and monitor federal developments in the area. The Joint Subcommittee believes the federal government should seriously consider the benefits of this type of tax structure.

Although there are still some questions concerning this concept in the minds of some of the members, the Joint Subcommittee believes this tax structure would simplify the income tax; eliminate bracket creep; encourage production, savings and investment; retain the advantages of utilizing federal AGI as the basis of our tax and continue the advantage of compliance; eliminate or lower the tax liability of low income, fixed income, and older Virginians; save administrative and processing expenses; and finally, to a large extent, free Virginia from some of the annual federal changes in the individual income tax.

The Joint Subcommittee strongly recommends this type of tax structure continue to be studied so that Virginia could be in a position to adopt this type of tax when the time becomes appropriate.

**II. INTRODUCTION**

The Joint Subcommittee was formed as a result of Delegate Joannou's House Joint Resolution No. 124 passed by the 1982 Session of the General Assembly. The Joint Subcommittee was directed to study the following:

1. Ways of simplifying the Virginia Individual Income Tax.
2. Feasibility of a single flat rate income tax with a broad base and a limited number of deductions.

The resolution also allowed the Joint Subcommittee to consider the desirability of using the income tax to replace revenues from other taxes.

The resolution required a final report with recommendations to be submitted to the 1984 Session.

### III. THE ROLE OF THE VIRGINIA INDIVIDUAL INCOME TAX

The Virginia Individual Income Tax is by far the Commonwealth's single most important source of General Fund revenue. In fiscal year 1982-83, this tax generated \$1,552,100,000 or approximately 51% of all General Fund revenue. In contrast, the sales and use tax was the second largest source yielding \$722 million, or approximately 23.8% of total General Fund revenue in fiscal year 1982-83. Table 1 provides a listing of individual income tax and General Fund revenue collections of the past 20 years as well as the importance of the individual income tax to the General Fund.

### IV. CONFORMITY

Beginning with taxable year 1972, Virginia conformed its Virginia individual income tax, in large part, to the federal individual income tax structure. This meant that the starting point for the computation of taxable income, and therefore tax liability, was determined by the federal

TABLE 1 COMPARISON OF VIRGINIA INDIVIDUAL  
INCOME TAX REVENUE AND TOTAL GENERAL FUND  
REVENUE.

<u>Fiscal Year</u>	<u>Virginia Individual Income Tax Revenue</u>	<u>Total General Fund Revenue</u>	<u>Individual Income Tax Revenue as Percent of General Fund</u>
1981-1982 (est.)	\$1,470,400,000	\$2,804,500,000	52.4%
1980-1981 (act.)	1,288,800,000	2,644,200,000	48.7%
1979-1980	1,102,978,714	2,435,684,158	45.3%
1978-1979	966,626,352	2,212,223,047	43.7%
1977-1978	854,815,907	2,047,263,155	41.8%
1976-1977	714,086,256	1,714,329,111	41.6%
1975-1976	614,575,116	1,502,098,062	40.9%
1974-1975	547,125,306	1,376,135,941	39.8%
1973-1974	468,967,445	1,168,562,871	40.1%
1972-1973	441,900,952	1,054,469,443	41.9%
1971-1972	365,378,374	922,653,686	39.6%
1970-1971	312,984,063	807,954,651	38.7%
1969-1970	282,768,933	764,745,178	37.0%
1968-1969	273,429,980	724,865,142	37.7%
1967-1968	222,677,673	540,210,631	41.2%
1966-1967	192,341,709	458,708,994	41.9%
1965-1966	164,820,781	372,359,659	44.3%
1964-1965	141,756,297	329,690,937	43.0%
1963-1964	127,836,114	304,200,649	42.0%
1962-1963	128,281,497	292,230,417	43.9%
1961-1962	90,951,744	247,908,423	36.7%

NOTE: Virginia adopted conformity effective January 1, 1972.

SOURCE: Prepared by the Virginia Division of Legislative Services from various Reports of the Comptroller.

government through its definition of adjusted gross income (AGI). In brief, AGI includes wages and salaries, interest, dividends, alimony, capital gains or losses (40% if long-term), etc. and also includes certain subtractions like moving expenses, employee business expenses, alimony, and other adjustments to income. The implication of this conformity, of course, was that any time the federal government changed the definition of AGI, Virginia automatically adjusted its definition as well. Another implication is that any "income" the federal government excludes is also excluded in Virginia.

The most recent example of this dependence was the recently enacted Economic Recovery Tax Act of 1981 (ERTA) which resulted in a \$181.2 million reduction in estimated General Fund revenue for the current biennium (\$75.6-business, \$105.6-individual). Of course, the General Assembly reacted to these losses by making some adjustments in the individual income tax (adjusting the child/dependent care deduction and requiring an add back of the two-earner, deduction) and delaying the accelerated depreciation for two years on the corporate income tax.

This legislation reduced the base of Virginia's income tax by providing numerous deductions in the computation of AGI. These deductions include contributions to IRA's for active participants in employer-sponsored pension plans, interest exclusion for "All Savers" certificates, and a dividend exclusion for certain public utility dividends if reinvested in the company's common stock.

In addition to adopting AGI as the starting point in determining taxable income and therefore tax liability, Virginia also adopted the federal government's treatment for itemized deductions, standard deductions and personal exemption amounts.

At the time Virginia adopted conformity (1971) the personal exemption was \$600 and the standard deduction was 14% of AGI in 1972 and 15% of AGI with a minimum of \$1,300 and a maximum of \$2,000 thereafter where it remains today. Currently at the federal level the personal exemption is \$1,000 and the standard deduction (now known as the zero bracket amount) is a flat \$3,400 for married couples and \$2,300 for single individuals.

The benefits of conformity were primarily in two areas. The first was for taxpayer convenience and simplicity and the second was to allow the Department of Taxation to use federal audits and data to assist in the Department's tax compliance efforts.

The advantages and disadvantages of conformity and the questions associated with conformity were studied by numerous independent groups which finally recommended conformity. The primary study groups were the 1966 study by the Virginia Income Tax Study Commission and the 1970 study by the Virginia Income Conformity Statutes Study Commission.

However, the period since Virginia adopted conformity has seen many changes in the federal income tax. The federal government modified its income tax structure by making numerous changes in the standard deduction and personal exemption amounts. New exclusions were provided for two-earner married couples, IRA's, All-Savers, and utility dividends while credits were provided for election contributions, energy conservation and child/dependent care expenses. Changes in the future are a certainty. For example, starting in 1985 rate brackets, personal exemptions and standard deductions (zero bracket amounts) will be adjusted annually for inflation.

During this period of conformity, Virginia has generally continued its dependence on AGI but has elected to not make all the modifications adopted by the federal government. Virginia conforms to the federal definition of AGI but has chosen to freeze its standard deduction and personal exemptions at the level that existed in taxable year 1974 while the federal government has gradually increased these amounts over the period of the 1970's. The Revenue Act of 1969, the Tax Reduction Act of 1975, the Tax Reform Act of 1976, the Tax Reduction and Simplification Act of 1977, and the Revenue Act of 1978 were all examples of various changes in either the standard deduction or the personal exemption amount which increased the federal exemption and as a result caused the federal and Virginia income tax structure to diverge. The result has been that the Virginia income tax structure has increasingly moved out of alignment with the federal and will continue to do so as a result of the Economic Recovery Tax Act of 1981.

It should be noted that when the Income Tax Conformity Statute Study Commission of 1970 studied the conformity issue it recommended that ideally Virginia should adopt *both* the federal standard deduction and personal exemption amounts. After the decision to adopt conformity, the Commission recommended and the General Assembly adopted the federal standard deduction and a low income allowance and the retention of a separate and distinct treatment of allowances for personal exemptions for Virginia purposes; Virginians now enjoy neither. Thus, Virginia taxpayers do not enjoy all the benefits of conformity which they had before. However, in summary, Virginia's individual income tax is in general conformity with that of the federal government.

THE PRESENT STRUCTURE

The major elements of the current Virginia individual income tax are as follows:

- 1) The starting point for the Virginia individual income tax is federal adjusted gross income.
- 2) Exemptions are \$600 for personal, dependent, and blindness with \$1,000 for persons 65 and over. The present federal personal exemption amount for all of these categories is \$1,000.
- 3) The Virginia standard deduction is 15% of AGI with a minimum of \$1,300 and a maximum of \$2,000. The federal standard deduction (now called the zero bracket amount) is \$2,300 for a single person and \$3,400 for a married couple.
- 4) The following rate structure (unchanged since 1972) is applicable:

<u>NET TAXABLE INCOME</u>	<u>TAX RATE</u>
First \$3,000	2%
\$3,001 - \$5,000	3%
\$5,001 - \$12,000	5%
Over \$12,000	5.75%

How broadly based is the Virginia income tax? Total personal income in Virginia estimated by the U. S. Department of Commerce) for the 1980 calendar year was \$50,229 million. In contrast to this estimate of personal income received by Virginians, total adjusted gross income in the Commonwealth was \$37,344 million, or 74.3% of total personal income. In other words, the useage of AGI causes a loss of almost 26% of the personal income in the Commonwealth for tax purposes. In addition, to arrive at taxable income, further subtractions must be made for personal exemptions (\$2,918.1 million), total itemized deductions (\$4,533.9 million), and total standard deductions (\$2,148.4 million). These subtractions from AGI result in a total taxable income of \$27,396.0 million, of 54.5% of total personal income.

Given individual income tax collections of \$1,154.9 million for taxable year 1980, the effective tax rate for the Virginia individual income tax was 4.21% based on taxable income, 3.09% based on AGI, and 2.30% on total personal income.

Approximately 2.1 million individual income tax returns were filed in tax year 1980. These returns were filed as follows:

- individual – 46.6%
- joint return – 24.1%
- separate return – 4.5%
- combined return – 24.8 %

The average AGI per tax return for tax year 1980 was \$17,744.

Approximately one-third (34.5%) of the tax returns utilized the itemized deduction and two-thirds (65.5%) elected the standard deduction. It should be noted that Virginia law requires taxpayers who itemize on the federal income tax to also itemize on the Virginia return even though it may be to their advantage to take the standard deduction on the Virginia income tax.

The following presents information on the average itemized and standard deduction.

Total itemized deductions	\$4,533,920,680
Number of returns itemizing	726,074
Average itemized deduction	\$ <u>6,244</u>
Total standard deduction	\$2,148,392,852
Number of standard returns	1,378,483
Average standard deduction	\$ <u>1,558</u>

Table 2 presents some background on Virginia income tax returns. The table shows by AGI class, how AGI, tax liability and returns are distributed.

In addition, Table 3 shows by AGI class the effective individual income tax rate on AGI. Attached to the table is a graph which displays this data. As the table and graph show the effective tax rate increases until the highest AGI class where it declines dramatically.



TABLE 2 CHARACTERISTICS OF THE VIRGINIA INDIVIDUAL INCOME TAX,  
TAX RETURNS FOR TAX YEAR 1980.

<u>AGI CLASS</u>	<u>ADJUSTED GROSS INCOME</u>	<u>% OF TOTAL</u>	<u>TOTAL TAX</u>	<u>% OF TOTAL</u>	<u>NO. OF RETURNS</u>	<u>% OF TOTAL</u>
\$ -0- - \$4,999	\$1,092,842,778	2.9%	\$ 6,444,806	0.6%	422,349	20.1%
5,000 - 9,999	3,160,031,382	8.5%	53,505,003	4.6%	423,779	20.1%
10,000 - 14,999	3,960,336,009	10.6%	94,735,600	8.2%	320,315	15.2%
15,000 - 19,999	4,344,430,816	11.6%	121,692,127	10.5%	249,450	11.9%
20,000 - 24,999	4,458,435,036	11.9%	137,110,794	11.9%	199,173	9.5%
25,000 - 29,999	4,099,517,973	11.0%	133,457,887	11.6%	149,817	7.1%
30,000 - 34,999	3,456,506,480	9.3%	118,074,346	10.2%	106,893	5.1%
35,000 - 39,999	2,701,797,876	7.2%	96,337,181	8.3%	72,354	3.4%
40,000 - 44,999	2,034,558,327	5.4%	75,205,108	6.5%	48,057	2.3%
45,000 - 49,999	1,524,868,395	4.1%	58,019,711	5.0%	32,206	1.5%
50,000 - 74,999	3,378,695,304	9.0%	134,875,842	11.7%	57,551	2.7%
75,000 - 99,999	997,368,374	2.7%	42,045,350	3.6%	11,713	0.6%
100,000 +	2,134,876,825	5.7%	83,422,530	7.2%	11,000	0.5%
	\$37,344,265,535	100.0%	\$1,154,926,356	100.0%	\$2,104,557	100.0%

Prepared by the Virginia Division of Legislative Services

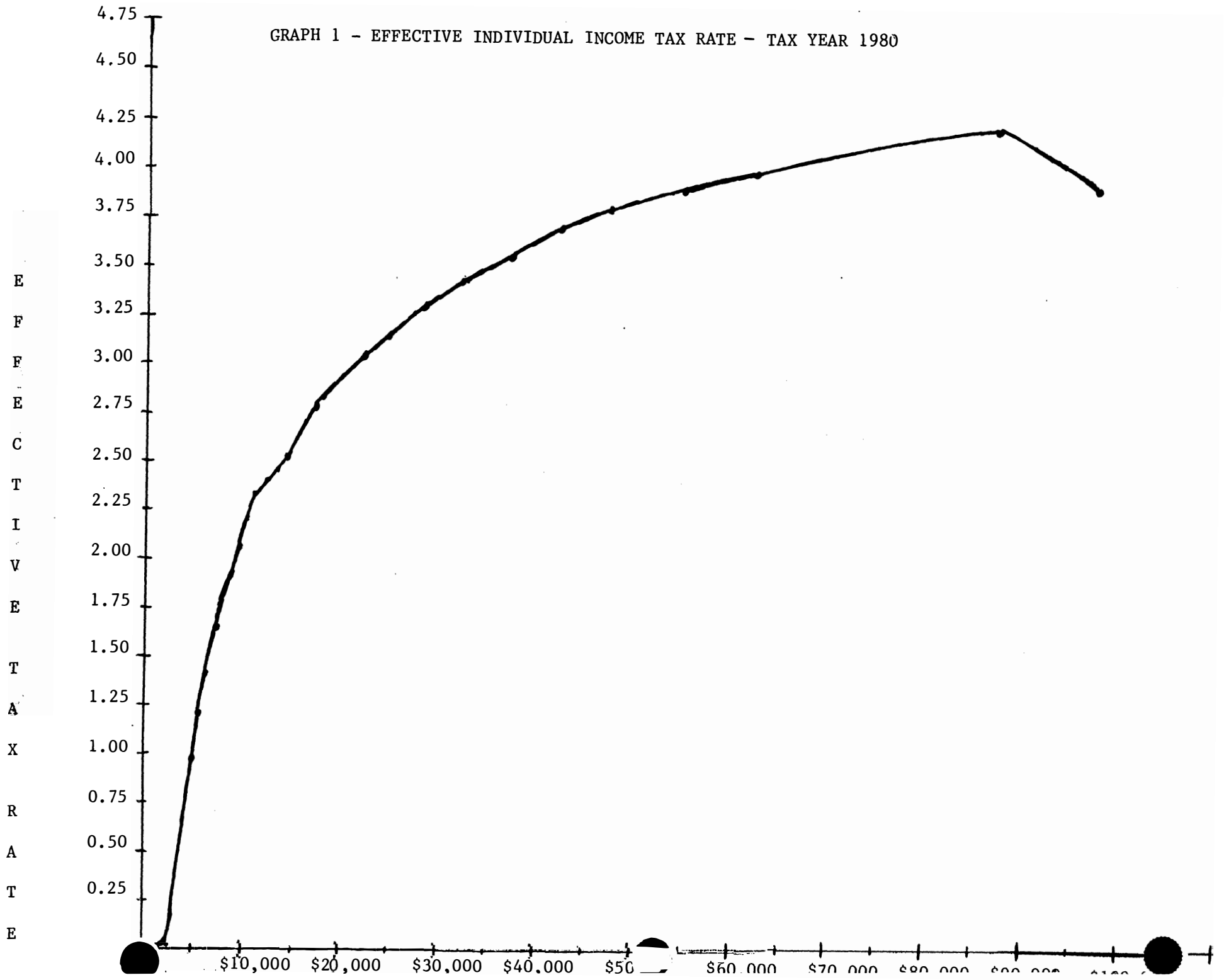
TABLE 3

Total Virginia Adjusted Gross Income, Total Tax, Effective Tax Rate, by  
Virginia Adjusted Gross Income Classes -- Taxable Year 1980

Adjusted Gross Income Classes	Adjusted Gross Income	Total Tax	Effective Tax Rate on Adjusted Gross Income
\$ 0 - \$ 999	\$ 35,293,634	\$ 2,837	0.01%
1,000 - 1,999	135,513,585	29,689	0.02
2,000 - 2,999	221,082,747	95,827	0.04
3,000 - 3,999	317,305,291	2,507,122	0.79
4,000 - 4,999	383,647,481	3,809,331	0.99
5,000 - 5,999	454,643,280	5,434,186	1.20
6,000 - 6,999	587,653,318	8,254,080	1.40
7,000 - 7,999	673,085,168	11,108,866	1.65
8,000 - 8,999	709,738,199	13,480,237	1.90
9,000 - 9,999	734,911,417	15,227,694	2.07
10,000 - 10,999	764,614,646	16,936,006	2.21
11,000 - 11,999	782,282,083	18,113,430	2.32
12,000 - 12,999	795,535,211	19,047,383	2.39
13,000 - 13,999	800,825,605	19,780,951	2.47
14,000 - 14,999	817,078,464	20,857,830	2.55
15,000 - 19,999	4,344,430,816	121,692,127	2.80
20,000 - 24,999	4,458,435,036	137,110,794	3.08
25,000 - 29,999	4,099,517,973	133,457,887	3.26
30,000 - 34,999	3,456,506,480	118,074,346	3.42
35,000 - 39,999	2,701,797,876	96,337,181	3.57
40,000 - 44,999	2,034,558,327	75,205,108	3.70
45,000 - 49,999	1,524,868,395	58,019,722	3.80
50,000 - 74,999	3,378,695,304	134,875,842	3.99
75,000 - 99,999	997,368,374	42,045,350	4.22
100,000 and over	2,134,876,825	83,422,530	3.91
<b>Totals</b>	<b>\$37,344,265,535</b>	<b>\$1,154,926,356</b>	<b>3.09%</b>

SOURCE: Virginia Department of Taxatio

GRAPH 1 - EFFECTIVE INDIVIDUAL INCOME TAX RATE - TAX YEAR 1980



## VI. A FLAT RATE INCOME TAX

The Joint Subcommittee spent the majority of its study examining the impacts and feasibility of the flat rate income tax. Specifically, a tax structure that would yield approximately the same amount of revenue and would replace the current graduated rate structure with a single flat tax rate. The flat tax rate would be 4.75% and a flat deduction of \$4,500 for a single person and \$9,000 for a married couple. The structure would eliminate the present personal exemptions (including age and blindness exemptions) as well as the standard and itemized deductions. Federal adjusted gross income would remain the starting point for the computation of taxable income. All income that is not included in federal AGI would remain excluded. This tax structure was embodied in House Bill No. 1638 introduced in the 1981 Session by Delegate Johnny S. Joannou. The bill passed the House of Delegates but died in the Senate Finance Committee. The Joint Subcommittee has closely studied the advantages and disadvantages of the tax.

### ADVANTAGES

The tax structure would simplify the Virginia individual income tax by eliminating the standard deduction, itemized deduction, personal exemption, over 65 deduction, blind deduction, age credit, and child/dependent care deduction and substituting a single flat deduction and then applying a single flat income tax rate. It would also eliminate the ability of some individuals to reduce taxable income by itemizing their deductions, thereby reducing their tax liability. All taxpayers would receive the same deduction and then be subject to a single tax rate.

It would eliminate bracket creep, whereby inflation (rather than real income growth) pushes taxpayers into a higher income tax bracket even though real income is unchanged.

It would encourage production, savings, and investment because income would be taxed at a flat rate rather than at progressively higher rates, and therefore, taxpayers would be allowed to keep a larger percentage of future income.

The income tax would retain the advantage of utilizing federal AGI for compliance purposes.

It would completely eliminate the Virginia individual income tax liability for a number of low and fixed income individuals by granting a flat \$4,500 deduction for single taxpayers and \$9,000 for a taxpayer and spouse.

The single deduction would also save administrative and processing expenses for the Commonwealth since thousands of lower income individuals would not need to file a return nor would they be subject to a tax liability.

The adoption of this type of legislation would partially free Virginia from some of the federal changes in the individual income tax. The federal government has modified the income tax structure in an attempt to encourage various social policies. As a result, Virginia is now basing its individual income tax on an income tax structure with a multitude of adjustments for social programs that attempt to use the tax structure for a purpose other than raising taxes that are needed by the Commonwealth.

It would eliminate some of the problems that have developed in the income tax because of the graduated rate structure. Problems such as the marriage penalty, income splitting, allocation of income and expenses, and the proper timing of income and expenses would be eliminated with the adoption of a single flat tax rate.

It would be particularly helpful to retired people and those on fixed incomes since very few of these individuals are in a position to itemize.

It would eliminate the inequity of freezing the standard deduction for the vast majority of Virginians while not freezing the itemized deduction for the remaining Virginians.

### Disadvantages

Individual income tax collections will continue to increase but the increase will be a function

of real income growth and inflation. Bracket creep will no longer yield additional revenue.

Because the option to itemize deductions would be eliminated the tax incentive to contribute to charities, churches and educational institutions would be reduced. In addition, since mortgage interest would no longer be deducted on the Virginia income tax the tax incentive for borrowing money and purchasing a home would be reduced.

Since the starting point for the tax remains AGI, the tax would only be as broad based as the federal definition of AGI modified by whatever adjustments Virginia chose to make, if any.

There would be no adjustments (additional deductions) for taxpayers who choose to have larger families.

## VII. IMPACT ON TAXPAYERS

The Joint Subcommittee has compared the current income tax structure with the flat rate structure. Although it is difficult to generalize for all taxpayers, the examples prepared for the subcommittee show that single taxpayers with incomes of less than approximately \$25,000 will pay less tax and married couples with income of less than \$50,000 will pay less tax. Tables A, B, and C attempt to provide the information concerning various income taxpayers and the changes in income tax liability. The bottom line of the tables provide the net change in total individual income tax liability for the taxpayer after the change in Virginia income tax liability is reflected on the federal income tax.

TABLE A - REVISED

COMPARISON OF PRESENT VIRGINIA INDIVIDUAL INCOME TAX LIABILITY  
WITH HOUSE BILL NO. 1638, AT SELECTED AGI LEVELS

SINGLE INDIVIDUAL

	<u>\$6,000</u>	<u>\$8,000</u>	<u>\$10,000</u>	<u>\$12,000</u>	<u>\$15,000</u>
Present Virginia Income Tax Liability	\$ 93.00	\$175.00	\$265.00	\$350.00	\$493.00
House Bill 1638, \$4,500/\$9,000 4.75%	\$ 71.25	\$166.25	\$261.25	\$356.25	\$498.75
Change from Current-Virginia	<u>\$-21.75</u>	<u>\$ -8.75</u>	<u>\$ -3.75</u>	<u>\$ +6.25</u>	<u>\$ +5.75</u>
Total Change- Virginia and Federal Income Taxes	\$-21.75	\$ -8.75	\$ -3.75	\$ +6.25	\$ +5.75

TABLE A (continued)

	<u>\$20,000</u>	<u>\$22,500</u>	<u>\$25,000</u> (itemize)	<u>\$50,000</u> (itemize)	<u>\$100,000</u> (itemize)
Present Virginia Income Tax Liability	\$780.50	\$924.25	\$895.50	\$2,045.50	\$4,138.50
House Bill 1638 \$4,500/\$9,000 4.75%	<u>\$736.25</u>	<u>\$855.00</u>	<u>\$973.75</u>	<u>\$2,161.25</u>	<u>\$4,536.25</u>
Change from Current-Virginia	\$-44.25	\$-69.25	\$+78.25	\$ +115.75	\$ +397.75
Total Change- Virginia and Federal Income Taxes	\$-44.25	\$-69.25	\$+59.47	\$ + 69.45	\$ +198.87

NOTE: For itemized return, we assume itemized deductions equal 20% of AGI under \$60,000 and 23% for the remainder.

TABLE B - REVISED  
 COMPARISON OF PRESENT VIRGINIA INDIVIDUAL INCOME TAX LIABILITY  
 WITH HOUSE BILL NO. 1638, AT SELECTED AGI LEVELS

MARRIED, NO DEPENDENTS

	<u>\$8,000</u>	<u>\$10,000</u>	<u>\$12,000</u>	<u>\$15,000</u>	<u>\$20,000</u>	<u>\$25,000</u> (itemize)
Present Virginia Income Tax Liability	\$ 145.00	\$ 235.00	\$ 320.00	\$ 460.00	\$ 746.00	\$ 861.00
House Bill 1638 \$4,500/\$9,000 4.75%	\$ 0.00	\$ 47.50	\$ 142.50	\$ 285.00	\$ 522.50	\$ 760.00
Change from Current-Virginia	<u>\$-145.00</u>	<u>\$-187.50</u>	<u>\$-177.50</u>	<u>\$-175.00</u>	<u>\$-223.50</u>	<u>\$-101.00</u>
Total Change- Virginia and Federal Income Taxes	\$-145.00	\$-187.50	\$-177.50	\$-175.00	\$-223.50	\$ -81.81



TABLE B (continued)

	<u>\$30,000</u> (itemize)	<u>\$35,000</u> (itemize)	<u>\$40,000</u> (itemize)	<u>\$50,000</u> (itemize)	<u>\$60,000</u> (itemize)	<u>\$100,000</u> (itemize)
Present Virginia Income Tax Liability	\$1,091.00	\$1,321.00	\$1,551.00	\$2,011.00	\$2,367.50	\$4,138.50
House Bill 1638 \$4,500/\$9,000 4.75%	\$ 997.50	\$1,235.00	\$1,472.50	\$1,947.50	\$2,422.50	\$4,322.50
Change from Current-Virginia	<u>\$ -93.50</u>	<u>\$ -86.00</u>	<u>\$ -78.50</u>	<u>\$ -63.50</u>	<u>\$ +55.00</u>	<u>\$ +184.00</u>
Total Change- Virginia and Federal Income Taxes	\$ -72.00	\$ -63.64	\$ -54.95	\$ -41.27	\$ +33.00	\$ +103.04

TABLE C - REVISED

COMPARISON OF PRESENT VIRGINIA INDIVIDUAL INCOME TAX LIABILITY  
WITH HOUSE BILL NO. 1638, AT SELECTED AGI LEVELS

MARRIED, 2 DEPENDENTS

	<u>\$8,000</u>	<u>\$10,000</u>	<u>\$12,000</u>	<u>\$15,000</u>	<u>\$20,000</u>	<u>\$25,000</u> (itemize)
Present Virginia Income Tax Liability	\$ 99.00	\$ 175.00	\$ 260.00	\$ 400.00	\$ 677.00	\$792.00
House Bill 1638 \$4,500/\$9,000 4.75%	\$ 0.00	\$ 47.50	\$ 142.50	\$ 285.00	\$ 522.00	\$760.00
Change from Current-Virginia	<u>\$-99.00</u>	<u>\$-127.50</u>	<u>\$-117.50</u>	<u>\$-115.00</u>	<u>\$-154.50</u>	<u>\$-32.00</u>
Total Change- Virginia and Federal Income Taxes	\$-99.00	\$-127.50	\$-117.50	\$-115.00	\$-154.50	\$-25.92

TABLE C (continued)

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	<u>\$30,000</u> (itemize)	<u>\$35,000</u> (itemize)	<u>\$40,000</u> (itemize)	<u>\$50,000</u> (itemize)	<u>\$60,000</u> (itemize)	<u>\$100,000</u> (itemize)
Present Virginia Income Tax Liability	\$1,022.00	\$1,252.00	\$1,482.00	\$1,942.00	\$2,298.50	\$4,069.50
House Bill 1638 \$4,500/\$9,000 4.75%	\$ 977.50	\$1,235.00	\$1,472.50	\$1,947.50	\$2,422.50	\$4,322.50
Change from Current-Virginia	<u>\$ -44.50</u>	<u>\$ -17.00</u>	<u>\$ -9.50</u>	<u>\$ +5.50</u>	<u>\$ +124.00</u>	<u>\$ +253.00</u>
Total Change- Virginia and Federal Income Taxes	\$ -34.26	\$ -12.58	\$ -7.03	\$ +3.57	\$ + 74.40	\$ +141.68

## VIII. COMPARISON OF FLAT RATE WITH CURRENT TAX

In an attempt to compare the impact of the current income tax with the proposed flat rate structure, the Virginia Department of Taxation ran the entire file of income tax returns for taxable year 1980. This section analyzes the impact on different localities and also on different income groups.

Table 4 shows that the flat rate tax embodied in House Bill No. 1638 would have raised approximately \$19.4 million in additional revenue for the Commonwealth. Of all tax returns filed in the Commonwealth in 1980, 52.2% of the returns would have had a lower tax while 13.7% would have been unchanged. In contrast, 34.1% of all the returns would have experienced an increase in their tax liability.

Table 5 shows that individual income tax collections would increase faster under the flat rate structure (HB 1638) because Virginia would not lose taxable income by allowing some taxpayers to increase their itemized deductions while keeping the majority of all taxpayers with the frozen standard deduction.

Table 6 provides an analysis of the total amount of income tax actually paid by the residents of 14 localities with the amount these residents will pay under the flat rate tax. Of this sample the residents of six would pay more while the remaining eight would pay less.

The Joint Subcommittee was concerned with the number of cities and counties whose residents would pay more in income tax under the flat rate structure than under the current

TABLE 4

COMMONWEALTH OF VIRGINIA  
TAXABLE YEAR 1980

Current Tax	\$ 1,143,604,754
HB 1638 Tax	<u>1,163,030,582</u>
	+ \$ 19,425,828

Total Tax Returns 2,104,557

Lower Tax 1,098,120 52.2%

\$ 1 - \$ 50	557,659	26.5%
51- 100	199,024	9.5%
100+	341,437	16.2%

Equal Tax 288,930 13.7%

Higher Tax 717,507 34.1%

\$ 1 - \$ 50	283,381	13.5%
51- 100	130,992	6.2%
100+	303,134	14.4%

TABLE 5

	<u>CURRENT INCOME TAX COLLECTIONS</u>	<u>HB 1638 TAX COLLECTIONS</u>
1979	\$ 990,476,006	\$ 996,060,527
1980	\$ 1,143,604,754	\$ 1,163,030,582
<b>Amount of Change</b>	\$ + 153,128,748	\$ + 166,970,055
<b>Percentage Change</b>	+ 15.5%	+ 16.8%

TABLE 6  
 COMPARISON OF CHANGES IN TAX LIABILITY  
 OF HOUSE BILL NO. 1638  
 ON SELECTED LOCALITIES,  
 TAXABLE YEAR 1980  
 (millions of dollars)

<u>Locality</u>	<u>Amount of Current Tax</u>	<u>Amount of HB 1638 Tax</u>	<u>Percentage Change</u>
Arlington	\$ 60.7	\$ 62.5	+ 2.9%
Fairfax Co.	213.5	223.0	+ 4.4%
Henry	9.1	9.0	- 1.8%
Mecklenburg	3.5	3.4	- 3.7%
Roanoke Co.	16.7	16.4	- 1.6%
Wise	7.6	6.9	- 9.3%
Hampton	20.6	20.5	- 0.3%
Newport News	26.4	26.4	- 0.2%
Norfolk	36.0	36.3	+ 0.8%
Portsmouth	16.8	17.0	+ 1.2%
Richmond	47.1	50.0	+ 6.1%
Virginia Beach	51.6	52.9	+ 2.6%
Waynesboro	3.2	3.1	- 3.1%
Winchester	4.3	4.2	- 2.0%

structure. Of the 136 cities and counties, the residents of 17 of the 95 counties would pay more and the residents of the remaining 78 counties would pay less. For the 41 cities, residents of 20 cities would pay more, while the residents of the remaining 21 would pay less. Table 7 lists the counties and cities which would pay more under the tax structure embodied in House Bill No. 1638.

Table 8 summarizes the impact of the flat rate tax on the sample group of localities. The table shows the percentage of tax returns in these cities and counties which would pay more and those that would pay less. The table clearly shows that for every locality there would be more taxpayers with a lower tax liability than with a higher tax liability. The Joint Subcommittee wishes to emphasize that even in those more affluent localities which would pay more, a larger number of taxpayers would experience a reduced tax liability than an increased one.

Table 9 breaks down the information contained in Table 8 to show how much more or how much less taxpayers in the sample localities would pay under the flat rate income tax.

The final series of tables provide information on the impact of the flat rate tax structure by income levels. Table 10 shows how different income categories would have fared. The table shows that for taxpayers with income of less than \$20,000 the taxpayers of the Commonwealth would have paid less under the flat rate tax structure. For income categories above \$20,000 and less than \$100,000, in the aggregate, taxpayers would have paid slightly more. The



TABLE 7

LOCALITIES WHICH WOULD PAY  
MORE INCOME TAX UNDER  
HOUSE BILL NO. 1638

COUNTIES

Albemarle  
Arlington  
Bath  
Chesterfield  
Clarke  
Fairfax  
Fauquier  
Greensville  
James City  
Loudoun  
Orange  
Prince William  
Rappahannock  
Richmond  
Spottsylvania  
Stafford  
Surry

CITIES

Alexandria  
Bristol  
Charlottesville  
Chesapeake  
Danville  
Emporia  
Fairfax  
Falls Church  
Franklin  
Fredericksburg  
Galax  
Lexington  
Lynchburg  
Manassas  
Manassas Park  
Martinsville  
Norfolk  
Portsmouth  
Richmond  
Virginia Beach

TABLE 8

IMPACT OF HOUSE BILL NO. 1638 ON  
 SELECTED LOCALITIES, TAX RETURNS  
 WITH HIGHER AND LOWER TAXES,  
 TAXABLE YEAR 1980

<u>Locality</u>	<u>Percentage of Returns With Higher Tax</u>	<u>Percentage of Returns With Equal Tax</u>	<u>Percentage of Return With Lower Tax</u>
Arlington	37.1%	8.9%	53.9%
Fairfax Co.	41.8%	12.6%	45.6%
Henry	31.9%	13.1%	55.0%
Mecklenburg	28.9%	15.2%	55.9%
Roanoke Co.	34.0%	13.2%	52.8%
Wise	19.7%	13.5%	66.8%
Hampton	34.2%	14.9%	50.9%
Newport News	33.9%	14.7%	51.4%
Norfolk	34.0%	14.0%	52.0%
Portsmouth	37.8%	13.5%	48.8%
Richmond	36.7%	14.4%	48.9%
Virginia Beach	37.4%	13.9%	48.7%
Waynesboro	30.5%	14.9%	54.6%
Winchester	30.9%	15.2%	53.9%

TABLE 9

IMPACT OF HOUSE BILL 1638 ON  
 SELECTED LOCALITIES, COMPARISON OF  
 CHANGE IN TAX LIABILITY  
 TAXABLE YEAR 1980

Locality	Percentage of Returns with Higher Tax				Percentage of Returns With Equal Tax	Percentage of Returns with Lower Tax			
	Total	\$1-50 Higher	\$51-100 Higher	\$100 + Higher		Total	\$1-50 Lower	\$51-100 Lower	\$100 + Lower
Arlington	37.1%	15.2%	5.4%	16.5%	8.9%	53.9%	25.9%	10.1%	17.9%
Fairfax Co.	41.8	12.1	6.2	23.5	12.6	45.6	22.2	7.7	15.7
Henry	31.9	14.5	7.0	10.4	13.1	55.0	30.7	11.2	13.1
Mecklenburg	28.9	14.5	6.2	8.2	15.2	55.9	30.0	11.3	14.6
Roanoke Co.	34.0	13.2	7.2	13.6	13.2	52.8	24.9	10.1	17.8
Wise	19.7	9.7	3.6	6.3	13.5	66.8	23.6	11.7	31.5
Hampton	34.2	13.8	6.8	13.6	14.9	50.9	27.3	8.6	15.0
Newport News	33.9	14.8	6.6	12.5	14.7	51.4	27.2	8.8	15.4
Norfolk	34.0	14.9	6.6	12.5	14.0	52.0	29.2	8.0	14.8
Portsmouth	37.8	15.6	7.7	14.4	13.5	48.8	26.2	8.5	14.1
Richmond	36.7	17.5	6.9	12.3	14.4	48.9	30.4	7.2	11.3
Virginia Beach	37.4	12.6	6.9	17.9	13.9	48.7	26.4	8.0	14.3
Waynesboro	30.5	14.2	6.5	9.8	14.9	54.6	27.5	9.5	17.7
Winchester	30.9	15.0	5.8	10.1	15.2	53.9	27.9	10.1	15.9
State Total	<u>34.1</u>	<u>13.5</u>	<u>6.2</u>	<u>14.4</u>	<u>13.7</u>	<u>52.2</u>	<u>26.5</u>	<u>9.5</u>	<u>16.2</u>

TABLE 10

IMPACT OF HOUSE BILL 1638  
 BY INCOME LEVELS, STATEWIDE  
 TAXABLE YEAR 1979

<u>Income</u>	<u>Number of Returns</u>	<u>Amount of Current Tax</u> (Millions)	<u>Amount of 1638 Tax</u> (Millions)
\$ 0 - 1,000	77,529	\$ 0.003	\$ 0
1,000 - 2,000	102,840	0.034	0
2,000 - 3,000	96,385	0.113	0
3,000 - 4,000	96,354	2.469	0
4,000 - 5,000	89,513	3.619	0.407
5,000 - 6,000	91,099	5.513	3.379
6,000 - 7,000	98,139	8.296	7.058
7,000 - 8,000	92,291	10.509	9.516
8,000 - 9,000	84,323	12.561	10.992
9,000 - 10,000	78,704	14.450	12.938
10,000 - 15,000	324,190	91.207	89.574
15,000 - 20,000	253,482	120.180	119.190
20,000 - 25,000	195,886	131.485	132.334
25,000 - 30,000	136,362	119.873	122.430
30,000 - 35,000	90,309	99.274	101.889
35,000 - 40,000	56,743	75.694	77.323
40,000 - 45,000	36,144	56.977	57.804
45,000 - 50,000	24,376	44.556	44.778
50,000 - 75,000	40,541	96.078	96.508
75,000 - 100,000	8,951	32.323	32.616
100,000 +	8,782	65.260	77.325
State Total	<u>2,082,933</u>	<u>\$ 990.476</u>	<u>\$ 996.060</u>

SOURCE: Division of Legislative Services

Joint Subcommittee emphasis that this increase would be a very modest increase, in most cases less than 1%.

The picture for the income category of over \$100,000 is quite different. These relatively affluent taxpayers would have paid almost 20% more in income tax to the Commonwealth under the flat rate tax. The Joint Subcommittee emphasizes, however, that this increase results because taxpayers cannot inflate their itemized deductions to reduce their income tax. In addition, the taxpayers with the increased tax will be those which itemize on their federal income tax returns and, thus, can write their increased state tax off on the federal return and, therefore, reduce their federal income tax.

Table 11 contains the distribution, by income category of tax returns which will experience a tax increase and those with a tax decrease. Clearly, regardless of income category, the majority of taxpayers will experience a lower tax liability. The Joint Subcommittee wishes to note that even in the highest income categories the majority of taxpayers will pay less income tax. Thus, it is not correct to say that all or even a majority of an income class will pay an increased tax under this structure.

Table 12 provides additional detail by separating higher and lower taxes into three categories each.

### RECOMMENDATIONS

The Joint Subcommittee believes that the flat rate income tax has a number of appealing advantages, however, because it is the Commonwealth's largest source of revenue

TABLE 11

THE IMPACT OF HOUSE BILL NO. 1638  
BY INCOME CATEGORIES, TAXABLE YEAR 1979

<u>Income</u>	<u>Percentage of Returns With Higher Tax</u>	<u>Percentage of Returns With Equal Tax</u>	<u>Percentage of Returns With Lower Tax</u>
\$ 0 - 1,000	0	99.4%	0.6%
1,000 - 2,000	0	97.0	3.0
2,000 - 3,000	0	95.3	4.7
3,000 - 4,000	0	16.5	83.5
4,000 - 5,000	4.2	11.3	84.5
5,000 - 6,000	12.3	6.0	81.7
6,000 - 7,000	21.1	5.3	73.6
7,000 - 8,000	24.5	4.5	71.0
8,000 - 9,000	24.2	4.1	71.7
9,000 - 10,000	27.9	0.1	72.0
10,000 - 15,000	54.5	1.8	43.7
15,000 - 20,000	41.3	0.7	58.0
20,000 - 25,000	43.4	0.4	56.2
25,000 - 30,000	49.4	0.2	50.4
30,000 - 35,000	51.5	0.2	48.3
35,000 - 40,000	49.9	0.2	49.9
40,000 - 45,000	47.2	0.2	52.6
45,000 - 50,000	43.4	0.1	56.5
50,000 - 75,000	39.9	0.1	60.0
75,000 - 100,000	33.5	0.0	66.5
100,000 +	<u>34.7</u>	<u>0.0</u>	<u>65.2</u>
TOTAL	31.6%	15.5%	52.9%

SOURCE: Division of Legislative Services

TABLE 12

THE IMPACT OF HOUSE BILL NO. 1638  
BY INCOME CATEGORIES, TAXABLE YEAR 1979

Income	Percentage of Returns With Higher Tax by Income Level				Percentage of Returns With Equal Tax	Percentage of Returns With Lower Tax by Income Level			
	Total	\$1-50 Higher	\$51-100 Higher	\$100 + Higher		Total	\$1-50 Lower	\$51-100 Lower	\$100+ Lower
\$ 0 - 1,000	0.0%	0.0%	0.0%	0.0%	99.4%	0.6%	0.6%	0.0%	0.0%
1 - 2,000	0.0	0.0	0.0	0.0	97.0	3.0	3.0	0.0	0.0
2 - 3,000	0.0	0.0	0.0	0.0	95.3	4.7	4.7	0.0	0.0
3 - 4,000	0.0	0.0	0.0	0.0	16.5	83.5	79.0	4.5	0.0
4 - 5,000	4.2	4.2	0.0	0.0	11.3	84.5	68.8	15.7	0.0
5 - 6,000	12.3	9.3	3.0	0.0	6.0	81.7	70.3	10.9	0.5
6 - 7,000	21.1	13.7	5.5	1.9	5.3	73.6	57.8	13.8	2.0
7 - 8,000	24.5	14.0	4.5	6.1	4.5	71.0	50.3	10.8	9.9
8 - 9,000	24.2	11.1	5.7	7.3	4.1	71.7	46.7	5.6	19.4
9 - 10,000	27.9	12.9	6.4	8.6	0.1	72.0	44.6	6.1	21.3
10 - 15,000	54.5	34.1	8.7	11.6	1.8	43.8	14.6	9.3	19.9
15 - 20,000	41.3	16.8	8.9	15.6	0.7	58.0	24.8	12.4	20.8
20 - 25,000	43.4	11.7	10.2	21.5	0.4	56.2	15.8	18.8	21.6
25 - 30,000	49.4	11.2	10.3	27.9	0.2	50.4	11.9	13.7	24.7
30 - 35,000	51.5	10.5	9.7	31.3	0.2	48.3	10.2	9.9	28.2
35 - 40,000	49.9	9.6	9.0	31.3	0.2	49.9	9.8	9.4	30.6
40 - 45,000	47.2	8.2	8.1	30.8	0.2	52.7	8.7	8.7	35.3
45 - 50,000	43.4	7.3	6.7	29.3	0.1	56.5	8.1	8.1	40.3
50 - 75,000	39.9	5.8	5.3	28.8	0.1	60.0	6.4	6.9	46.7
75 - 100,000	33.5	3.0	2.8	27.8	0.0	66.4	3.6	3.6	59.2
100,000 +	34.7	1.3	1.3	32.1	0.0	65.2	1.1	1.4	62.7
TOTAL	31.6%	13.0%	6.1%	12.4%	15.5%	52.9%	27.3%	9.7%	16.0%

SOURCE: Division of Legislative Services

and because it makes such significant changes in Virginia's income tax law the Joint Subcommittee does not recommend the adoption of a flat rate income tax law at the present time.

The Joint Subcommittee has studied the impact of this type of tax structure and presents this informational report to provide the Governor, the General Assembly and the public with an opportunity to examine the impact of this tax and to consider its advantages and disadvantages.

The Joint Subcommittee strongly recommends this type of tax structure continue to be studied in the future so that Virginia could be in a position to adopt this type of tax structure when the time becomes appropriate.

Respectfully submitted,

Delegate Johnny S. Joannou, Chairman

Senator Edward E. Willey, Vice-Chairman

Delegate Lewis W. Parker, Jr.

Delegate Owen B. Pickett

Delegate Alson H. Smith, Jr.

Delegate Warren G. Stambaugh

Senator Hunter B. Andrews

Senator Adelard L. Brault

Senator Willard J. Moody



APPENDIX

THE IMPACT ON A TAXPAYER'S  
FEDERAL AND VIRGINIA INCOME TAX OF  
ALLOWING A DEDUCTION FOR A  
CHARITABLE CONTRIBUTION

December 2, 1983

The purpose of this analysis is to show the impact of eliminating the deduction for charitable contributions in computing taxable income under the Virginia Individual Income Tax.

The tax impact of making a charitable contribution is felt by the taxpayer when he is able to include the charitable contribution in his itemized deductions, and therefore, reduces his taxable income by the amount of the contribution. Of course, there is no tax impact for taxpayers who are limited to the standard deduction.

Thus, the taxpayer who takes the standard deduction and contributes, for example, \$1,000 to his favorite charity pays the entire \$1,000. The taxpayer who itemizes, is granted a reduction in his tax liability which reduces the actual cost of making a \$1,000 contribution.

To show the tax impact of allowing a deduction for charitable contributions, I have prepared two examples of taxpayers making a \$1,000 charitable contribution under the current federal and Virginia income tax structure in contrast to a structure where the federal government would provide a charitable deduction but Virginia would not provide this deduction.

\$ 50,000 Federal AGI, Married Couple, 2 Children

FEDERAL

\$ 50,000 Federal AGI  
- 6,600 Excess ZBA (\$ 10,000 itemized deduction -  
\$ 3,400 standard deduction)  
- 4,000 Personal Exemptions  
\$ 39,400 TAXABLE INCOME

---

\$ 8,951 FEDERAL INCOME TAX

VIRGINIA

\$ 50,000 Federal AGI  
- 8,058 Itemized Deduction (\$ 10,000 - \$ 1942 Virginia Income Tax)  
- 2,400 Personal Exemptions  
\$ 39,542 TAXABLE INCOME

---

\$ 2,054 VIRGINIA INCOME TAX

---

\$ 11,005 TOTAL INCOME TAX

TAX IMPACT OF \$ 1,000 CHARITABLE CONTRIBUTION

CURRENT STRUCTURE

FEDERAL

\$ 50,000  
- 6,600  
- 4,000  
- 1,000 Charitable Contribution  
+ 58 Decrease in Virginia Tax (Decrease in itemized deduction)  
\$ 38,458 TAXABLE INCOME

\$ 8,594 FEDERAL INCOME TAX

(\$- 357) Net Change in Federal Income Tax

VIRGINIA

\$ 50,000  
- 8,058  
- 2,400  
- 1,000 Charitable Contribution  
\$ 38,542 TAXABLE INCOME

\$ 1,996 VIRGINIA INCOME TAX

(\$- 58) Net Change in Virginia Income Tax

\$ 10,590 TOTAL INCOME TAX

(\$- 415) TOTAL NET CHANGE

\$ 1,000 Charitable Contribution

\$ 357	Amount paid by federal	35.7%
\$ 58	Amount paid by Virginia	5.8%
\$ 585	Amount paid by taxpayer	58.5%

TAX IMPACT OF \$ 1,000 CHARITABLE CONTRIBUTION

CURRENT FEDERAL STRUCTURE AND IF VIRGINIA  
WOULD NOT ALLOW CHARITABLE DEDUCTION

FEDERAL

\$ 50,000  
- 6,600  
- 4,000  
- 1,000 Charitable Contribution  
\$ 38,400 TAXABLE INCOME  
  
\$ 8,571 FEDERAL INCOME TAX  
  
(\$- 380) Net Change in Federal Income Tax

VIRGINIA

\$ 50,000  
- 8,058  
- 2,400  
\$ 39,542 TAXABLE INCOME  
  
\$ 2,054 VIRGINIA INCOME TAX  
  
(\$ 0) Net Change in Virginia Tax

\_\_\_\_\_  
\$ 10,625 TOTAL INCOME TAX  
(\$- 380) TOTAL NET CHANGE

\$ 1,000 Charitable Contribution

\$ 380 Amount paid by Federal	38.0%
\$ 0 Amount paid by state	0.0%
\$ 620 Amount paid by taxpayer	62.0%

INCREASE PAID BY CONTRIBUTOR FOR \$ 1,000 CHARITABLE CONTRIBUTION

\$ 35

3.5% of CONTRIBUTION

\$ 200,000 Federal AGI, Married Couple, 2 Children

FEDERAL

\$ 200,000 Federal AGI  
- 36,600 Excess ZBA (\$ 40,000 itemized deduction -  
\$ 3,400 standard deduction)  
- 4,000 Personal Exemptions  
\$ 159,400 TAXABLE INCOME

---

\$ 67,149 FEDERAL INCOME TAX

VIRGINIA

\$ 200,000 Federal AGI  
- 31,020 Itemized Deduction (\$ 40,000 - \$ 8,980 Virginia Income Tax)  
- 2,400 Personal Exemptions  
\$ 166,580 TAXABLE INCOME

---

\$ 9,358 VIRGINIA INCOME TAX

---

\$ 76,507 TOTAL INCOME TAX



TAX IMPACT OF \$ 1,000 CHARITABLE CONTRIBUTION

CURRENT STRUCTURE

FEDERAL

\$ 200,000  
- 36,600  
- 4,000  
- 1,000 Charitable Contribution  
+ 58 Decrease in Virginia Tax (Decrease in itemized deduction)  
\$ 158,458 TAXABLE INCOME

---

\$ 66,678 FEDERAL INCOME TAX

(\$- 471) Net Change in Federal Income Tax

VIRGINIA

\$ 200,000  
- 31,020  
- 2,400  
- 1,000 Charitable Contribution  
\$ 165,580 TAXABLE INCOME

---

\$ 9,300 VIRGINIA INCOME TAX

(\$- 58) Net Change in Virginia Income Tax

---

\$ 75,978 TOTAL INCOME TAX

---

(\$- 529) TOTAL NET CHANGE

\$ 1,000 Charitable Contribution

\$ 471 Amount paid by federal	47.1%
\$ 58 Amount paid by Virginia	5.8%
\$ 471 Amount paid by taxpayer	47.1%

TAX IMPACT OF \$ 1,000 CHARITABLE CONTRIBUTION

CURRENT FEDERAL STRUCTURE AND IF VIRGINIA  
WOULD NOT ALLOW CHARITABLE DEDUCTION

FEDERAL

\$ 200,000  
- 36,600  
- 4,000  
- 1,000 Charitable Contribution  
\$ 158,400 TAXABLE INCOME

---

\$ 66,649 FEDERAL INCOME TAX

(\$- 500) Net Change in Federal Income Tax

VIRGINIA

\$ 200,000  
- 31,020  
- 2,400  
\$ 166,580 TAXABLE INCOME

---

\$ 9,358 VIRGINIA INCOME TAX

(\$ 0 ) Net Change in Virginia Tax

---

\$ 76,007 TOTAL INCOME TAX

---

(\$ - 500) TOTAL NET CHANGE

\$ 1,000 Charitable Contribution

\$ 500 Amount paid by Federal 50.0%

\$ 0. Amount paid by state 0.0%

\$ 500 Amount paid by taxpayer 50.0%

INCREASE PAID BY CONTRIBUTOR FOR \$ 1,000 CHARITABLE CONTRIBUTION

\$ 29

2.9% of CONTRIBUTION