

# Virginia Tax Updates

October 18, 2022

# One-Time Tax Rebate

- ▶ The 2022 Appropriation Act approved a one-time tax rebate for eligible taxpayers who file a return by November 1
  - ▶ Rebate for returns filed by July 1 must be issued by October 17
  - ▶ Rebate for returns filed after July 1 must be issued within 4 months of filing
- ▶ Amount is a maximum of \$250 for an individual and \$500 for a joint return
  - ▶ Limited to tax liability after any credits, deductions, or subtractions to which the taxpayer is entitled
- ▶ We issue one-time rebates in the order we receive and fully process returns

- ▶ We expect to issue about 3.2 million one-time tax rebates
  - ▶ 1.3 million direct deposits (2021 returns that selected direct deposit)
    - ▶ The direct deposit label for these rebates is “**VATXREBATE**”
  - ▶ 1.9 million checks
    - ▶ A check stub message explains the rebates
    - ▶ Department of Treasury used its backup printing facility to expedite check printing and mailing
- ▶ Rebates that require a check include:
  - ▶ Tax returns with no banking information
  - ▶ Tax returns for taxpayers who owed additional tax
  - ▶ Direct deposits that were rejected due to closed bank accounts
  - ▶ Partial rebates due to a taxpayer debt setoff

- ▶ “Go Live” for all returns processed by September 5 was September 19
  - ▶ Almost 2.8 million rebates issued for returns processed as of October 8

Payment Medium	Rebates Issued	Amount
Direct Deposit	1,270,547	\$439,744,676
Check	1,502,443	\$499,061,422
Total	2,772,990	\$938,806,098

- ▶ Statute requires that tax rebates be subject to the state's **debt setoff** program
- ▶ Rebates that are partially offset will result in a check for the remainder; the check stub will provide the reason for a reduced rebate and the setoff agency's contact information
- ▶ If entire rebate is set off, Virginia Tax notifies the taxpayer by letter

Setoff Type	Issued	Amount
Partial Setoff	138,929	\$19,346,777
Fully Setoff	174,852	\$49,354,683
Total	313,781	\$68,701,460

- ▶ On Monday, September 19, we provided taxpayers access to rebate eligibility tools
  - ▶ One through our website, and
  - ▶ One through our Interactive Voice Response system
- ▶ Our website also includes 6 videos on various tax rebate topics

Resource	Total Requests 9/19 – 10/10
Rebate Lookup Application	1,517,942
Rebate Landing Page	1,329,318
Videos	71,621

- ▶ From October 11 through the end of the calendar year, we will issue rebates weekly until we have completed the process for all eligible returns filed by November 1
  - ▶ We anticipate a surge around October 17, the Federal filing extension deadline
    - ▶ Number of rebates issued weekly after this date will be lower
  - ▶ We will continue processing paper November 1 extension returns through the end of November
  - ▶ Program wrap up (e.g. returned check processing) will continue through the end of the year



# Other Tax Policy Updates

- ▶ On August 16, 2022, the Inflation Reduction Act of 2022 (“the IRA”) (H.R.5376) was signed into law
- ▶ Conforming to the IRA would slightly reduce General Fund revenues due to the following two provisions that would directly impact Virginia taxpayers:

Provision	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Enhancements to the Energy Efficient Commercial Buildings Deduction	(\$0.21)	(\$0.30)	(\$0.24)	(\$0.22)	(\$0.20)
Cost Recovery for Qualified Property, and Energy Storage Technology	-	-	-	-	(\$0.10)
<b>Total (Preliminary)</b>	<b>(\$0.21)</b>	<b>(\$0.30)</b>	<b>(\$0.24)</b>	<b>(\$0.22)</b>	<b>(\$0.29)*</b>

\* Totals may not sum due to rounding

- ▶ In addition to these provisions, the IRA extends an existing federal provision that limits excess business losses of noncorporate taxpayers by two years, which was previously set to expire on January 1, 2027
- ▶ Virginia currently conforms to this federal treatment and extension of this provision is assumed in the official Virginia forecast
- ▶ Accordingly, this provision would have no impact on Virginia revenues

- ▶ The American Rescue Plan Act (“ARPA”) contains a provision that excludes student loan forgiveness from gross income for Taxable Years 2021 through 2025
  - ▶ Virginia conforms to this provision of ARPA pursuant to 2022 HB 971/SB 94
- ▶ On Aug. 24, 2022, a one-time student loan debt forgiveness program was announced
  - ▶ Student loans forgiven through this program are expected to be exempt from federal taxation under ARPA
  - ▶ Because Virginia conforms to this provision of ARPA, such loan forgiveness would also not be taxable on the Virginia income tax return

- ▶ Standard deduction increases from \$4,500 (\$9,000 for joint filers) to \$8,000 (\$16,000 for joint filers), effective for Taxable Years 2022 through 2025
  - ▶ The budget was adjusted to reflect a standard deduction of \$8,000/\$16,000 for Taxable Years 2022 and 2023
  - ▶ Withholding tables were updated to reflect the increase on October 1, 2022,
  - ▶ Virginia's tax forms and systems assume the \$8,000/\$16,000 standard deduction amounts
- ▶ As under prior law, the standard deduction amounts set to revert to the pre-2019 amounts after Taxable Year 2025 (\$3,000/\$6,000 for joint filers)

- ▶ If certain revenue targets are not met for TY 2022 and/or TY 2023, the increase for such taxable year would be reduced to \$7,500 (\$15,000 for joint filers):
  - ▶ TY 2022 increase contingent upon Virginia Tax certifying annual revenue growth, adjusted for the impact of tax policy changes, of at least 5% between July 2022 and December 2022
  - ▶ TY 2023 increase contingent upon Virginia Tax certifying revenue growth, adjusted for the impact of tax policy changes, of at least 5% during FY 2023
- ▶ We will continue evaluating revenue collections relative to the TY 2022 contingency