

# DEPARTMENT OF TAXATION

## 2025 Fiscal Impact Statement

1. **Patron** Christie New Craig
3. **Committee** Senate Finance and Appropriations
4. **Title** Individual Income Tax; Alternative Schooling and Public School Tax Credits.

2. **Bill Number** SB 1085
- House of Origin:**  
  X   **Introduced**  
      **Substitute**  
      **Engrossed**
- Second House:**  
      **In Committee**  
      **Substitute**  
      **Enrolled**

### 5. **Summary/Purpose:**

This bill would establish both the Alternative Schooling Tax Credit and the Public School Tax Credit.

#### *Alternative Schooling Tax Credit*

This credit would be a refundable individual income tax credit for up to \$5,000 in qualifying expenses incurred by the parent or legal guardian of an eligible student in home education or attending a private school. If the taxpayer's family Virginia adjusted gross income does not exceed 300 percent of federal poverty guidelines, the taxpayer may claim an additional \$2,500 refundable tax credit.

"Qualifying expense" would mean any expense incurred during the taxable year for

- instruction-related materials, including textbooks, workbooks, and supplies;
- courses or programs used in home instruction; or
- private school tuition.

#### *Public School Tax Credit*

This credit would be a refundable individual income tax credit for up to \$1,500 in qualifying expenses incurred by the parent or legal guardian of a student in public school. If the taxpayer's family Virginia adjusted gross income does not exceed 300 percent of federal poverty guidelines, the taxpayer may claim an additional \$2,500 refundable tax credit.

"Qualifying expense" would mean any expense incurred during the taxable year for instruction-related materials, including textbooks, workbooks, and supplies or programs used directly to assist the eligible student's education.

Both credits would allow taxpayers one credit per eligible student per year and require taxpayers to submit purchase receipts to verify qualifying expenses for each credit.

The aggregate amount of credits allowable for each credit is limited to \$25 million per taxable year and will be allocated by the Department of Taxation on a first-come, first-

served basis. In the event that the aggregate amount of credits claimed in a single taxable year is greater than ninety percent of such amount, then such aggregate credit cap amount would be increased in the immediately succeeding taxable year by 10 percent.

This bill would become effective for taxable years beginning on and after January 1, 2025, but before January 1, 2030.

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

Page 1, Revenue Estimates

Item(s): 258 and 260, Department of Taxation

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

**7a. Expenditure Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Positions</b></i>	<i><b>Fund</b></i>
2025-26	\$373,016	1	GF
2026-27	\$138,800	1	GF
2027-28	\$113,800	1	GF
2028-29	\$100,800	1	GF
2029-30	\$94,800	1	GF
2030-31	\$88,800	1	GF

**8. Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") would incur estimated expenditures as shown on Line 7a. These costs would be for developing an application form, revising forms and our website and systems programming. One new employee would be required to administer these two tax credit programs. Because the Department's online filing system cannot accept attachments, these estimates assume that any verification would be handled on the by asking the taxpayer for receipts and other documentation.

Revenue Impact

This bill would have an unknown negative General Fund revenue impact beginning with Fiscal Years 2026. The impact of this bill in FY 2026 would be limited no more than \$50 million, which is the sum of the Alternative Schooling Tax Credit's \$25 million aggregate cap and the Public School Tax Credit's \$25 million aggregate cap.

The impact of this bill could be up to \$55 million in FY 2027, \$60.5 in FY 2028, \$66.6 in FY 2029, \$73.21 million in FY 2030, and \$80.53 million in FY 2031. This is because the bill contains a provision stating that, if the aggregate amount of credits claimed in a taxable year is greater than 90% of the aggregate credit cap, then the aggregate cap amount would be increased in the next taxable year by 10 percent. Because it is unknown whether this escalation provision would be triggered each year, the actual impact of this bill is unknown.

According to 2024-2025 data from the Virginia Department of Education, there are about 56,008 homeschooled students; 154,732 students enrolled in private schools in Virginia; and 1,261,387 students enrolled in Virginia public schools.

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

Department of Taxation

**10. Technical amendment necessary:** Yes.

As currently drafted, the bill would not require that the taxpayer who is claiming the credit be the parent or legal guardian of the eligible student. If the intent of the Patron is that only the parent or legal guardian who incurs expenses may claim the credit, the following technical amendments are suggested:

Line 33 after *incurred by*  
Insert *such taxpayer who is*

Line 77 after *incurred by*  
Insert *such taxpayer who is*

**11. Other comments:**

Education Improvement Scholarships Tax Credits Program

The program provides state tax credits for donations made to approved scholarship Foundations that provide scholarships to eligible students and attending participating private schools and non-public pre-kindergarten programs. Approved scholarship foundations make payments directly to eligible schools selected by qualifying parents or legal guardians.

Proposal

This bill would establish both the Alternative Schooling Tax Credit and the Public School Tax Credit.

*Alternative Schooling Tax Credit*

This credit would be a refundable individual income tax credit for up to \$5,000 in qualifying expenses incurred by the parent or legal guardian of an eligible student in home education or attending a private school. If the taxpayer's family Virginia adjusted gross income does not exceed 300 percent of federal poverty guidelines, the taxpayer may claim an additional \$2,500 refundable tax credit.

“Qualifying expense” would mean any expense incurred during the taxable year for

- Instruction-related materials, including textbooks, workbooks, and supplies;
- Courses or programs used in home instruction; or
- Private school tuition.

“Eligible student” would mean a student who is

- Exempt from the compulsory attendance law for the purpose of home education or enrollment in a private educational institution,
- A resident of the Commonwealth of Virginia at the time any qualifying expense is incurred,
- Under the age of 18 at the close of the school year for which a credit under this section is sought, and
- Either receiving home instruction or enrolled full time in a kindergarten through twelfth grade education program at any private school in the Commonwealth during the school year for which a credit is sought.

#### *Public School Tax Credit*

This credit would be a refundable individual income tax credit for up to \$1,500 in qualifying expenses incurred by the parent or legal guardian of a student in public school. If the taxpayer's family Virginia adjusted gross income does not exceed 300 percent of federal poverty guidelines, the taxpayer may claim an additional \$2,500 refundable tax credit.

“Qualifying expense” would mean any expense incurred during the taxable year for instruction-related materials, including textbooks, workbooks, and supplies or programs used directly to assist the eligible student's education.

“Eligible student” would mean a student who is

- Subject to Virginia's compulsory attendance law,
- A resident of the Commonwealth of Virginia at the time any qualifying expense is incurred,
- Under the age of 18 at the close of the school year for which a credit under this section is sought, and
- Enrolled full time in a kindergarten through twelfth grade education program at any public school in the Commonwealth during the school year for which a credit is sought.

#### *Provisions Applicable to Both Credits*

Both credits would allow taxpayers one credit per eligible student per year and requires taxpayers to submit purchase receipts to verify qualifying expenses for each credit.

“Household” would mean an individual, or in the case of married individuals, an individual and his spouse, regardless of whether the individual and his spouse file combined or separate Virginia individual income tax returns.

“Poverty guidelines” would mean the annual federal poverty guidelines for the 48 contiguous states and the District of Columbia.

The aggregate amount of credits allowable for each credit is limited to \$25 million per taxable year and will be allocated by the Department of Taxation on a first-come, first-served basis. In the event that the aggregate amount of credits claimed in a single taxable

year is greater than ninety percent of such amount, then such aggregate credit cap amount shall be increased in the immediately succeeding taxable year by 10 percent.

This bill would become effective for taxable years beginning on and after January 1, 2025, but before January 1, 2030.

Similar Legislation

**HB 2639** is identical to this bill.

cc : Secretary of Finance

Date: 01/18/2025 JPJ  
SB1085F161