

**DEPARTMENT OF TAXATION  
2025 Fiscal Impact Statement**

1. **Patron** Phil M. Hernandez

2. **Bill Number** HB 2333

3. **Committee** House Finance

**House of Origin:**

**Introduced**

**Substitute**

**Engrossed**

4. **Title** Individual Income Tax Brackets

**Second House:**

**In Committee**

**Substitute**

**Enrolled**

**5. Summary/Purpose:**

This bill would create a ten percent individual income tax bracket for individuals with income in excess of \$1 million. The revenue generated from this new tax bracket would be allocated in the following manner:

- Fifty percent to provide additional basic aid funding for public schools;
- Thirty percent to the Child Care Subsidy Program;
- Twenty percent to the Virginia Housing Trust Fund.

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

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

Item(s): Page 1, Revenue Estimates

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

**7b. Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2025-26	\$870 million	PSF
	\$522 million	CCS
	\$348 million	VHTF
2026-27	\$699 million	PSF
	\$419 million	CCS
	\$280 million	VHTF
2027-28	\$748 million	PSF
	\$449 million	CCS
	\$299 million	VHTF
2028-29	\$800 million	PSF
	\$480 million	CCS
	\$320 million	VHTF
2029-30	\$856 million	PSF
	\$514 million	CCS
	\$342 million	VHTF
2030-31	\$915 million	PSF

\$549 million      CCS  
 \$366 million      VHTF

**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

This bill would have an estimated positive impact on the revenues provided by the Commonwealth as additional basic aid funding for public schools ("public school funding"), the Child Care Subsidy Program, and the Virginia Housing Trust Fund as shown on Line 7b. The total revenue brought in by this bill would be divided fifty percent to public school funding, thirty percent to the Child Care Subsidy Program, and twenty percent to the Virginia Housing Trust Fund.

	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31
Public School Funding	\$870 million	\$699 million	\$748 million	\$800 million	\$856 million	\$915 million
Child Care Subsidy Program	\$522 million	\$419 million	\$449 million	\$480 million	\$514 million	\$549 million
Virginia Housing Trust Fund	\$348 million	\$280 million	\$299 million	\$320 million	\$342 million	\$366 million
<b>Total</b>	<b>\$1.74 billion</b>	<b>\$1.4 billion</b>	<b>\$1.5 billion</b>	<b>\$1.6 billion</b>	<b>\$1.71 billion</b>	<b>\$1.83 billion</b>

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

Department of Taxation

**10. Technical amendment necessary: No.**

**11. Other comments:**

Background

*Individual Income Tax Rates*

Under current law, the Virginia individual income tax is imposed at the following rates:

<b>Virginia Taxable Income</b>	<b>Virginia Tax Rates</b>
\$3,000 and less	2 percent
\$3,001 to \$5,000	3 percent
\$5,001 to \$17,000	5 percent
\$17,001 or more	5.75 percent

In 1971, when Virginia studied conforming to the federal income tax law, Virginia originally considered having only the first three tax brackets shown above. Therefore, the top marginal tax rate would have been 5 percent, applicable to Virginia taxable income of \$5,001 or more. However, by 1972, when the General Assembly voted to conform to federal income tax law, it enacted four tax brackets at the same tax rates as under current law.

The amount of Virginia taxable income subject to Virginia's top marginal tax rate was last modified during the 1987 Session, in response to the 1986 federal tax reform.

<b>Year</b>	<b>Taxable Income Subject to 5.75 percent Tax Rate</b>
1972-1986	\$12,001 or more
1987	\$14,001 or more
1988	\$15,001 or more
1989	\$16,001 or more
1990-Present	\$17,001 or more

Since the changes adopted during the 1987 Session adjusting the top bracket to the current income level for Taxable Year 1990 and thereafter, the General Assembly has not enacted any legislation affecting Virginia individual income tax rates or brackets and the brackets are not currently indexed for inflation. The federal individual income tax rate brackets are indexed for inflation.

### Virginia Public Schools

Virginia's public schools receive funding from a combination of local, state, and federal sources.

### The Child Care Subsidy Program

The Child Care Subsidy Program assists families in paying child care costs for children under age 13 who are not eligible to attend public school during the part of the day when public education is available, or children with special needs under age 18 who reside with the applicant. If the applicant is eligible and approved for services, the Subsidy Program can pay a portion of their child care costs directly to the child care provider.

## Virginia Housing Trust Fund

The Virginia Housing Trust Fund ("VHTF") creates and preserves affordable housing and reduces homelessness in the Commonwealth. The VHTF approach addresses housing issues in varied methods for a variety of populations including:

- Families and individuals who cannot afford decent, safe housing;
- Disabled persons needing accessible housing in addition to supportive services;
- Homeless persons struggling with mental health and other issues.

## Proposal

This bill would create a ten percent individual income tax bracket for individuals with income in excess of \$1 million. The revenue generated from this new tax bracket would be allocated in the following manner:

- Fifty percent to provide additional basic aid funding for public schools;
- Thirty percent to the Child Care Subsidy Program;
- Twenty percent to the Virginia Housing Trust Fund.

This additional funding would supplement, not supplant any funds currently provided by Virginia to basic aid funding for public schools, the Child Care Subsidy Program, and the Virginia Housing Trust Fund.

This bill would also make some technical changes to the language in the amended code sections.

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

## Similar Bills

**HB 1745** would create a seven percent income tax bracket for taxpayers making in excess of \$600,000. It would also index for inflation and increase the standard deduction.

cc : Secretary of Finance

Date: 01/19/2025 ALS  
HB2333F161