

DEPARTMENT OF TAXATION

2026 Fiscal Impact Statement

1. **Patron** Joseph P. McNamara

3. **Committee** House Finance

4. **Title** Individual Income Tax; Standard Deduction

2. **Bill Number** HB 12

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would remove the sunset provision, which applies to the current standard deduction amounts of \$8,750 for single individuals and \$17,500 for married individuals filing jointly. As a result, the current higher standard deduction amounts would apply permanently and would not revert to \$3,000 for single individuals and \$6,000 for married individuals filing jointly after Taxable Year 2026.

If enacted during the regular session of the 2026 General Assembly, this bill would become effective July 1, 2026.

6. **Budget amendment necessary:** No.

7. **No Fiscal Impact.** (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.

This legislation does not require significant changes to the Department's systems and is not impacted by the first phase of the Integrated Revenue Management System ("IRMS") replacement project. No resource constraints or implementation considerations are anticipated.

Revenue Impact

Because the Official General Fund revenue forecast assumes the extension of this expiring provision, removing the sunset provision on the increased standard deduction would have no General Fund revenue impact.

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

10. Technical amendment necessary: No.

11. Other comments:

Federal Standard Deduction

On July 4, 2025, H.R. 1 ("2025 H.R. 1") (Public Law 119-21) was signed into law making permanent the increased federal standard deduction amounts originally established by the 2017 Tax Cuts and Jobs Act ("TCJA") (Public Law 115-97). Like most other individual provisions of the TCJA, the increase in the amount of the federal standard deduction was scheduled to sunset after December 31, 2025.

The federal standard deduction for Taxable Year 2025 is as follows:

- \$31,500 for married taxpayers filing jointly;
- \$23,625 for heads of household; and
- \$15,750 for single taxpayers and married taxpayers filing separately.

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.

After the TCJA increased the federal standard deduction through Taxable Year 2025, Virginia also increased the Commonwealth's standard deduction amount several times. Each of these increases expired at the end of 2025, the same date as the federal increases to the standard deduction. The Virginia standard deduction was increased in:

- 2019 to \$4,500 for single filers and \$9,000 for joint filers;
- 2022 to \$8,000 for single filers and \$16,000 for joint filers; and
- 2023 to \$8,500 for single filers and \$17,000 for joint filers.

Virginia's Current Standard Deduction

The eleventh enactment clause of the 2025 Appropriation Act (House Bill 1600, Chapter 725) increased the standard deduction from \$8,500 to \$8,750 for single filers and \$17,000 to \$17,500 for joint filers for taxable years beginning on and after January 1, 2025, but before January 1, 2027. This extended the Virginia increases to the Commonwealth's standard deduction amounts to one year beyond the expiration date then applicable to the federal increases to the federal standard deduction. A few months after the 2025 Appropriations Act was enacted, federal legislation, 2025 H.R. 1, made the increases to the federal standard deduction permanent.

Virginia's current standard deduction amount is scheduled to sunset after Taxable Year 2026 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:

Year	Virginia Standard Deduction for Single Taxpayers	Virginia Standard Deduction for Married Taxpayers Filing Jointly
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	\$8,500	\$17,000
2025-2026	\$8,750	\$17,500
2027 and following	\$3,000	\$6,000

Proposal

This bill would remove the sunset provision which applies to the increased standard deduction amounts. As a result, the current higher standard deduction amounts of \$8,750 for single individuals and \$17,500 for married individuals filing jointly would apply permanently and not expire after Taxable Year 2026.

Under current law, the standard deduction is currently set to revert to \$3,000 for single individuals and \$6,000 for married individuals filing jointly after Taxable Year 2026.

If enacted during the regular session of the 2026 General Assembly, this bill would become effective July 1, 2026.

Similar Bills

HB 372 would remove the sunset provision which currently applies to the refundable Virginia EITC.

SB 7 would remove the sunset provisions which currently apply to the standard deduction amounts of \$8,750/ \$17,500 and the refundable Virginia EITC.

cc : Secretary of Finance

Date: 01/17/2026 ALS
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