

DEPARTMENT OF TAXATION

2026 Fiscal Impact Statement

1. **Patron** Marcia S. "Cia" Price
3. **Committee** House Finance
4. **Title** Individual Income Tax; Refundable Earned Income Tax Credit

2. **Bill Number** HB 372
- House of Origin:**
 Introduced
 Substitute
 Engrossed
- Second House:**
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would remove the sunset provision, which applies to the refundable Virginia Earned Income Tax Credit ("Virginia EITC"). Under current law, the refundable Virginia EITC, which is equal to 20 percent of the federal earned income tax credit ("EITC") amount claimed on the taxpayer's federal return, is set to expire 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 refundable Virginia EITC would have no General Fund revenue impact.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Federal Earned Income Tax Credit

The federal EITC is a refundable tax credit for eligible individuals who have earned income in a taxable year that is below certain threshold amounts. The amount of the federal EITC is based on the presence and number of qualifying children in the worker's family, as well as the amount of the worker's federal adjusted gross income ("AGI") and earned income. Taxpayers are required to provide a valid Social Security number for themselves and each dependent they are claiming in the calculation of the EITC.

2025 H.R. 1 (Public Law 119-21) did not make major changes to the structure or amount of the EITC but did add a new precertification requirement starting in 2028.

For purposes of the federal EITC, earned income includes any wages, salaries, tips, and other employee compensation includable in an individual's gross income, plus the individual's net earnings from self-employment without regard to the federal deduction for self-employment taxes. To qualify for the federal EITC for Taxable Year 2025, an individual's AGI and earned income must be less than:

- \$61,555 (\$68,675 for joint filers) if they have three or more qualifying children;
- \$57,310 (\$64,430 for joint filers) if they have two qualifying children;
- \$50,434 (\$57,554 for joint filers) if they have one qualifying child; or
- \$19,104 (\$26,214 for joint filers) if they do not have a qualifying child.

The maximum federal EITC for Taxable Year 2025 is \$8,046 for an individual with three or more qualifying children, \$7,152 for an individual with two qualifying children, \$4,328 for an individual with one qualifying child, and \$649 for an individual with no qualifying children.

Virginia Low-Income Tax Credits

Virginia allows an individual to claim either:

- The Tax Credit for Low-Income Individuals or
- The Virginia EITC.

The Tax Credit for Low-Income Individuals is a nonrefundable individual income tax credit equal to \$300 each for the individual, the individual's spouse, and any person claimed as a dependent on such individual's or married individual's income tax return for the taxable year.

The nonrefundable Virginia EITC is equal to 20 percent of the federal EITC and does not expire. In 2022 Virginia introduced a refundable EITC that was 15 percent of the federal EITC, and in 2025, Virginia increased the amount of the refundable EITC to match the nonrefundable Virginia EITC at 20 percent of the federal EITC. Under current law, taxpayers may choose between taking the nonrefundable or refundable Virginia EITC. However, the refundable Virginia EITC is set to expire after Taxable Year 2026.

The refundable Virginia EITC provides a cash refund to the taxpayer, even if their tax liability is zero. The nonrefundable EITC only reduces a taxpayer's tax liability to zero. As a result, taxpayers with little or no income tax liability receive the full value of the refundable credit but would lose much of the benefit of the nonrefundable credit.

Proposal

This bill would remove the sunset provision which applies to the refundable Virginia EITC. As a result, the refundable Virginia EITC, which is equal to 20 percent of the federal EITC amount claimed on the taxpayer's federal return, would become permanent.

Under current law, the refundable Virginia EITC is set to expire after Taxable Year 2026, however taxpayers could still claim the nonrefundable Virginia EITC, which is also equal to 20 percent of the federal EITC amount claimed on the taxpayer's federal return. The nonrefundable Virginia EITC is permanent and does not have a sunset date.

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

Similar Bills

HB 12 would remove the sunset provisions which currently apply to the standard deduction amounts of \$8,750/ \$17,500.

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: 01/18/2026 ALS
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