DEPARTMENT OF TAXATION
2026 Fiscal Impact Statement

1. **Patron** Phil M. Hernandez

2. **Bill Number** HB 488
   House of Origin:
   X **Introduced**
   _____ **Substitute**
   _____ **Engrossed**

   Second House:
   _____ **In Committee**
   _____ **Substitute**
   _____ **Enrolled**

3. **Committee** House Finance

4. **Title** Wage garnishment; state tax debt

5. **Summary/Purpose:**

   The Department of Taxation (the "Department") understands that the Patron intends to amend this bill to delay its effective date to July 1, 2027. This Fiscal Impact Statement is based upon the bill as amended.

   This bill would remove the exclusion for state tax debt from limitations on the total amount of wages that may be garnished per pay period. As a result, state tax debts under this bill would become restricted to twenty-five percent of disposable earnings for that pay period or the amount by which such individual's disposable earnings exceed the greater of 40 times the federal or Virginia minimum wage.

   This bill would become effective July 1, 2027.

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

7. **No Fiscal Impact**. (See Line 8.)

8. **Fiscal implications:**

   Administrative Costs

   This bill would have no impact on local administrative costs.

   Provided that a delayed effective date is adopted (See Line 10 below), the Department does not require additional funding because the implementation costs of this bill can be absorbed within existing resources. With a July 1, 2027 effective date, this legislation would not impact the work in progress for the first phase of the Integrated Revenue Management System (IRMS) replacement project.

Revenue Impact

This bill would have no impact on local revenues.

The provisions of this bill requiring a 25 percent wage garnishment limitation would have no impact on state revenues because the Department has already implemented such a limitation administratively beginning in June of 2025.

The provisions of this bill requiring 40 times minimum wage garnishment limitation would have a minimal unknown impact on state revenues. Taxpayers benefiting from the 40 times minimum wage garnishment limitation likely already qualify under existing law for relief on other grounds or for an offer in compromise. Therefore, the Department anticipates that any revenue impact from imposing this limitation would likely be minimal.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: Yes.

The Department understands that the Patron will be amending the bill for a delayed effective date of July 1, 2027. To effectuate this, the Department suggests the following amendment:

Page 4, Line 185, end of line
Insert: 2. That the provisions of this act shall become effective July 1, 2027.

11. Other comments:

Background

The Department's lien forms sent to employers contain instructions to reduce the amount taken from the employee's paycheck if hardship is claimed based on a table printed on the form. The amounts in the table are based on the number of dependents that the employee has as well as the standard deduction and personal exemptions. This is similar to the exemption table that the IRS sends with its wage levies to employers. In many cases the employers tell their employees claiming hardship to call the Department, and the Department's collection staff routinely reduce the percentage taken from the paycheck or set up a payment plan.

The Department voluntarily began administratively implementing the 25 percent wage garnishment limitation in June of 2025.

2025 Workgroup

2025 House Bill 1979 would have made state and local tax debt subject to certain limitations on the total amount of wages that may be garnished per pay period. These limitations apply to most garnishments and specify that they are limited to the maximum part of the aggregate disposable earnings of an individual for any workweek that is subject to garnishment to collect delinquent taxes and charges to a maximum of 25 percent of such individual's disposable earnings for that week. Under current law, state and local tax debt is not subject to these limitations. The bill was not enacted, but the Department was directed to study the issues contained within the legislation.

The Department reviewed its wage garnishment policies and practices and determined that the process to implement a 25 percent limitation on wage garnishments had already begun. On June 16, 2025, the 25 percent limitation was implemented.

Proposal

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This bill would remove the exclusion for state tax debt from limitations on the total amount of wages that may be garnished per pay period. As a result, state tax debts under this bill would become restricted to twenty-five percent of disposable earnings for that pay period or the amount by which such individual's disposable earnings exceed the greater of 40 times the federal or Virginia minimum wage.

This bill would become effective July 1, 2027.

Similar Legislation

House Bill 1100 and **Senate Bill 597** would limit a treasurer's lien issued with respect to wages or salary to 25 percent of the disposable earnings in a single pay period. The bill would provide that the 25 percent limitation would not apply (i) if the lien issuer determines that the adjusted gross income of the delinquent taxpayer exceeds 250 percent of the poverty guideline amount adjusted for household size, (ii) if a court determines that the delinquent taxpayer may flee or attempt to flee the jurisdiction or is improperly disposing of assets with the intent to hinder or delay the collection of the delinquent obligations, or (iii) to any portion of the delinquent obligation collected by the delinquent taxpayer and held in trust to remit to the local governing authority.

cc : Secretary of Finance

Date: 01/25/2026 VB
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