

DEPARTMENT OF TAXATION

2026 Fiscal Impact Statement

1. **Patron** Thomas A. Garrett, Jr.

2. **Bill Number** HB 991

3. **Committee** House Finance

House of Origin:

X **Introduced**

 Substitute

 Engrossed

4. **Title** Individual Income Tax; Volunteer Firefighters
and Volunteer Emergency Medical Services
Personnel Subtraction

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would establish an individual income tax subtraction of \$2,000 per taxable year for bona fide volunteers who perform qualifying services.

“Qualifying services” would include:

- Volunteer firefighting and fire prevention services,
- Emergency medical services,
- Auxiliary police officer services, and
- Emergency rescue services.

This bill would be effective for taxable years beginning on or after January 1, 2027.

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

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

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2027-28	(\$3.3 million)	GF
2028-29	(\$2.2 million)	GF
2029-30	(\$2.2 million)	GF
2030-31	(\$2.2 million)	GF
2031-32	(\$2.2 million)	GF

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation (“the Department”) considers this bill as routine and does not require additional funding.

Because of the implementation and release schedule for the Integrated Revenue Management System (“IRMS”) replacement project, this legislation will not be impacted by such project if enacted during the 2026 Regular Session of the General Assembly. For more information on the new system implementation releases, see the [2025 Status Report on the Replacement of the Integrated Revenue Management System](#) (IRMS).

Revenue Impact

This bill would have an estimated negative General Fund revenue impact as shown on Line 7b.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Virginia Firefighter Tax Preferences

The governing body of any locality may, by ordinance, provide a credit against local taxes and fees to an individual who performs approved volunteer services, including firefighting and fire prevention services, within the locality. Such credit may be applied toward a limited number of the individual’s local tax or fee liabilities.

Virginia’s Individual Income Tax Modifications

Federal Adjusted Gross Income

Virginia’s Individual Income Tax substantially conforms to federal income tax law by using federal adjusted gross income (“FAGI”) as the starting point for computing Virginia income taxes. Virginia law then provides various modifications to FAGI that must be taken into account that figure in determining Virginia taxable income.

Virginia Adjusted Gross Income

When completing a Virginia individual income tax return, a taxpayer starts with the amount of FAGI reported on his federal return. A taxpayer then calculates Virginia adjusted gross income by making two types of adjustments: (1) “additions” which increase the amount of income taxable by Virginia and (2) “subtractions” which reduce such amount. These adjustments are made only to the extent that they have not already been included or excluded from FAGI.

Virginia Taxable Income

The taxpayer calculates his Virginia taxable income by making another type of modification referred to as “deductions,” which further reduce the amount of income taxable by Virginia. These modifications are made regardless of federal treatment unless specifically stated otherwise in the provision.

Please find below an illustration of how taxable income is computed for federal and Virginia income tax purposes and how they interrelate:

Federal Income Tax	Virginia Income Tax
+Wages and Other Income	=Federal Adjusted Gross Income (“FAGI”)
+Federal Adjustments	+Virginia Additions (only if not included in FAGI)
-Federal Adjustments	-Virginia Subtractions (only if not excluded from FAGI)
=Federal Adjusted Gross Income (“FAGI”)	=Virginia Adjusted Gross Income (“VAGI”)
-Federal Standard Deduction or Itemized Deductions	-Virginia Standard Deduction or Federal Itemized Deductions (depends on federal election)
-QBI Deduction	-Deduction for Virginia Exemptions
	-Virginia Deductions (regardless of federal treatment)
=Federal Taxable Income	=Virginia Taxable Income

Because this bill would establish a new Virginia subtraction, the amount allowed under this bill could be taken whether the taxpayer chooses to take the Virginia standard deduction or itemize their deductions.

Proposal

This bill would establish an individual income tax subtraction of \$2,000 per taxable year for bona fide volunteers who perform qualifying services.

“Bona fide volunteer” would be defined as an individual who performs qualifying services and whose only compensation is:

- Reimbursement for reasonable expenses or
- Reasonable benefits, including length of stay services awards, and fees for such qualifying services customarily paid by employers.

“Qualifying services” would be defined as:

- Volunteer firefighting and fire prevention services,
- Emergency medical services,
- Auxiliary police officer services, and
- Emergency rescue services

that operate exclusively for the benefit of the general public as nonprofit organizations.

Qualifying services would also include all legally required training and training-related activities necessary for a bona fide volunteer to perform one of the above services.

This bill would be effective for taxable years beginning on or after January 1, 2027.

cc : Secretary of Finance

Date: 01/31/2026 SJH
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