

DEPARTMENT OF TAXATION

2026 Fiscal Impact Statement

1. **Patron** Christopher T. Head
3. **Committee** Senate Finance and Appropriations
4. **Title** Individual Income Tax: Newborn and Stillborn Child Tax Credit

2. **Bill Number** SB 236

House of Origin:

Introduced
 Substitute
 Engrossed

Second House:

In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would establish a refundable individual income tax credit of \$2,000 per eligible birth for married individuals, regardless of filing status, who have a newborn child. If married taxpayers file separate income tax returns, only one individual would be permitted to claim this credit for an eligible birth.

This bill would also establish a refundable individual income tax credit of \$2,000 per stillborn birth for individuals and married couples filing jointly who have suffered the loss of delivering a stillborn child, provided that it is not the birth of a child by a surrogate. If two unmarried individuals claim the credit for the same stillborn birth, each individual is allowed to receive a refundable credit of \$1,000.

This bill would be effective for taxable years beginning on and after January 1, 2026, but before January 1, 2031.

6. Budget amendment necessary: Yes.

Item(s): 261 and 263 Department of Taxation

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

7a. Expenditure Impact:

Fiscal Year	Dollars	Positions	Fund
2026-27	\$313,872	0	GF

8. Fiscal implications:

Administrative Costs

The Department of Taxation (“the Department”) would incur estimated expenditures as shown above. Such costs would primarily consist of updating the Department’s forms and systems to implement the credit. Any costs thereafter would be considered routine.

Because of the implementation and release schedule for the IRMS replacement project, the implementation of 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 unknown General Fund revenue impact beginning in Fiscal Year 2027 and each year thereafter. The revenue impact is unknown, because it is unknown how many couples or individuals eligible for the credit would file a Virginia income tax return. Based on data regarding the number of live births, fetal deaths and the percentage of surrogate births in Virginia, the Department was able to produce a speculative maximum estimated negative General Fund revenue impact of \$120 million per fiscal year. However, the actual General Fund revenue impact would likely be less than this maximum, as it is unlikely all taxpayers would claim the credit.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Proposal

This bill would establish a refundable individual income tax credit of \$2,000 per eligible birth for married individuals, regardless of filing status, who have a newborn child. If married taxpayers file separate income tax returns, only one individual would be permitted to claim this credit per eligible birth.

This bill would also establish a refundable individual income tax credit of \$2,000 per stillborn birth for individuals and married couples filing jointly who have suffered the loss of delivering a stillborn child, provided that it is not the birth of a child by a surrogate. If two unmarried individuals claim the credit for the same stillborn birth, each individual is allowed to receive a refundable credit of \$1,000.

This bill would define "eligible birth" as follows:

- The birth of a child during the taxable year for which the taxpayer is claiming the child as a Virginia dependent on their return; and
- Does not include the birth of a child by a surrogate or a stillborn birth.

This bill would also define "stillborn birth" as the birth of a child

- Who would have become a Virginia dependent of the taxpayer;
- Who suffered a spontaneous death;
- Who reached a gestational period of 20 complete weeks or a weight of at least 350 grams;

- For whom a Certificate of Birth Resulting in Stillbirth has been requested and issued or for whom other documentation verifying the loss of such child can be produced; and
- Whose death was not the result of an induced termination of the pregnancy.

This bill specifies that only one tax credit may be claimed per eligible birth or stillborn birth and would require the Tax Commissioner to develop guidelines implementing the tax credit.

This bill would be effective for taxable years beginning on and after January 1, 2026, but before January 1, 2031.

cc : Secretary of Finance

Date: 01/24/2026 ALS
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