

**DEPARTMENT OF TAXATION
2026 Fiscal Impact Statement**

1. **Patron** Joshua G. Cole

2. **Bill Number** HB 243

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Corporate Welfare Tax

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would impose on large employers a corporate welfare tax equal to 100 percent of the qualified employee benefits received by any employees of such large employer residing in Virginia.

The bill would direct the Department of Taxation (“the Department”) to obtain identifying data for individuals receiving qualified federal benefits from the Department of Social Services (“DSS”) pursuant to an interagency agreement and to compare such data to employment rosters received quarterly from large employers to determine the amount of qualified federal benefits received by employees of such large employers.

The bill also would prohibit an employer, in connection with the selection or referral of applicants or candidates for employment, to make inquiries or otherwise seek information relating to whether such applicant receives qualified federal benefits.

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

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:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2026-27	\$155,545	0	GF
2027-28	\$336,291	0	GF
2028-29	\$45,741	0	GF
2029-30	\$45,741	0	GF
2030-31	\$45,600	0	GF

8. Fiscal implications:

Administrative Costs

The Department of Taxation (“the Department”) would incur estimated expenditures, as shown on Line 7a. Such costs would primarily consist of updating the Department’s systems and processes to implement and administer the new tax. Any costs thereafter would be considered routine.

The Department requests a delayed effective date of January 1, 2027, due to the system changes required by this legislation and resource commitments associated with the Integrated Revenue Management System (IRMS) replacement project. Changes needed to implement this bill would impact work in progress for the first rollout of the new system scheduled for September 2026. For more information on the new system implementation releases, see the [2025 Status Report on the Replacement of the Integrated Revenue Management System](#) (IRMS).

The DSS considers implementation of this bill as routine and does not require additional funding.

Revenue Impact

This bill would have an unknown positive General Fund revenue impact beginning in Fiscal Year 2026 and each year thereafter.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Social Services

10. Technical amendment necessary: Yes.

As written, this bill would have broad definitions of “employee” and “employer” that may make this bill difficult to enforce. Employer as defined by this bill would include non-profit employers, government employers and employers in other states. It is unclear who would be considered an employee under this bill, making it difficult to determine the 500-employee threshold for “large employer.” Employers are required to provide an employment roster, however, they may not have the information necessary to do so, if independent contractors and their employees are required to be included on this roster.

As written, the bill requires employers to pay 100 percent of the qualified employee benefits received by employees for the entire taxable year regardless of how long the employee worked for the employer. This could lead to multiple employers being required to pay the tax for the entire taxable year for the same employee who worked for each employer for only part of the taxable year. Due to the ambiguity regarding who is an employee mentioned above, multiple employers could pay the tax due to an independent contractor working for multiple businesses and each of those businesses being required to count all independent contractors, and their employees as employees of the business for purposes of the tax credit.

11. Other comments:

Proposal

This bill would impose on large employers a corporate welfare tax equal to 100 percent of the qualified employee benefits received by any employees of such large employer residing in Virginia.

The bill would direct the Department of Taxation ("the Department") to obtain identifying data for individuals receiving qualified federal benefits from the Department of Social Services ("DSS") pursuant to an interagency agreement and to compare such data to employment rosters received quarterly from large employers to determine the amount of qualified federal benefits received by employees of such large employers.

The bill also prohibits an employer, in connection with the selection or referral of applicants or candidates for employment, to make inquiries or otherwise seek information relating to whether such applicant receives qualified federal benefits. However, employers would still be able to discriminate against employees based on state of residence.

"Employee" would mean any (i) full-time or part-time employee and (ii) individual who is a full-time or part-time independent contractor, including any employee of such independent contractor.

"Large employer" would mean an employer that employed on average at least 500 employees on business days during the preceding calendar year.

"Qualified employee benefits" would mean the sum of the qualified federal benefits received by individuals who are employees of such person for such taxable year.

"Qualified federal benefits" would mean any means-tested benefit program administered by the federal government, including (i) the dollar value of supplemental nutrition assistance for which the household that includes such an employee is eligible; (ii) the dollar value of meals that such employee or dependents of such employee are eligible for under the school lunch program under the Richard B. Russell National School Lunch Act, P.L. 79-396, and the school breakfast program under the Child Nutrition Act, P.L. 89-642; (iii) the aggregate amount of the monthly assistance payments for rental of a dwelling unit that such individual's household is a member of is eligible to have made on its behalf pursuant to the United States Housing Act, P.L. 75-412; and (iv) the amount of payments made under the Social Security Act, P.L. 74-271, with respect to expenditures made under the Commonwealth's Medicaid plan for medical assistance for such employee or for dependents of such employee.

Large employers would be required to submit to the Department quarterly employment rosters for use in determining the amount of qualified employee benefits received by such large employer's employees. The Department would be required to execute an interagency agreement with DSS to obtain identifying data for individuals receiving qualified federal benefits and compare such data with employment rosters received from

large employers to identify those employees of such large employer receiving qualified federal benefits.

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

cc : Secretary of Finance

Date: 02/08/2026 JLOF
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