

# DEPARTMENT OF TAXATION

## 2024 Fiscal Impact Statement

- 1. **Patron** David W. Marsden
- 3. **Committee** Senate Finance and Appropriations
- 4. **Title** Corporate Income Tax; Distribution of Revenues; State Parks

- 2. **Bill Number** SB 451
- House of Origin:**  
 **Introduced**  
 **Substitute**  
 **Engrossed**
- Second House:**  
 **In Committee**  
 **Substitute**  
 **Enrolled**

**5. Summary/Purpose:**

This bill would require that five percent of all corporate income tax revenues be distributed to the State Park Conservation Resources Fund to provide (i) free entry to Virginia state parks and (ii) the conservation, development, maintenance, and operations of state parks acquired or held by the Department of Conservation and Recreation (“DCR”) as provided in the appropriation act.

This distribution would not reduce the total amount of annual appropriations for DCR and the Fund below the total amounts appropriated for the most recent fiscal year ending before July 1, 2024, except as provided by a subsequent appropriation act.

If enacted during the 2024 regular session of the General Assembly, this bill would become effective July 1, 2024.

- 6. **Budget amendment necessary:** Yes.  
 Item(s): Page 1, Revenue Estimates  
 257 and 258, Department of Taxation

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

**7b. Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2025	(\$103.19 million)	GF
	\$103.19 million	SPCRF
2026	(\$108.07 million)	GF
	\$108.07 million	SPCRF
2027	(\$113.36 million)	GF
	\$113.36 million	SPCRF
2028	(\$119.3 million)	GF
	\$119.3 million	SPCRF
2029	(\$124.56 million)	GF
	\$124.56 million	SPCRF
2030	(\$129.98 million)	GF
	\$129.98 million	SPCRF

## 8. Fiscal implications:

### Administrative Costs

The Department of Taxation would incur administrative costs of \$46,700 in Fiscal Year 2024 and costs thereafter would be \$10,000 per fiscal year. The initial cost would be incurred for purposes of reprogramming and updating the Department's systems to ensure accurate distributions are made to DCR based upon tax return data. The \$10,000 additional cost per fiscal year would be incurred for purposes of monitoring and managing the above-mentioned system. Such costs rely on the assumption that the Department would make distributions based on monthly net corporate income tax payments and that fiscal office wage staff support is needed to monitor the report, the distribution, and any monthly accounting that would be required.

The Department of Accounts and the Department of Conservation and Recreation consider implementation of this bill as routine and do not require additional funding.

### Revenue Impact

This bill would have an estimated negative General Fund revenue impact and a corresponding positive revenue impact on the State Park Conservation Resources Fund in amounts equal to \$103.19 million in FY 2025, \$108.07 million in FY 2026, \$113.36 million in FY 2027, \$119.3 million in FY 2028, \$124.56 million in FY 2029, and \$129.98 million in FY 2030. Because corporate income tax returns are subject to a substantial number of deductions and credits and may be subject to amendment or litigation for many years after submission of a return, corporate income tax revenues may exhibit substantial fluctuations annually. The actual amounts in any given fiscal year could exceed or fall below the estimate figure provided, as the Department is only able to generate estimates that are based on average historical corporate income tax revenues.

## 9. Specific agency or political subdivisions affected:

Department of Taxation  
Department of Conservation and Recreation  
Department of Accounts

## 10. Technical amendment necessary: Yes.

As currently drafted, this bill seems to be based upon *Va. Code* § 58.1-605(F) of the sales tax. Under the sales tax, returns and payments are typically filed on a monthly basis. In contrast, the corporate income tax is an annual tax based upon the corporation's business activity for the entire taxable year. While estimated payments are made quarterly throughout the year, corporate income tax returns are only filed annually by a due date that occurs after the taxable year has ended.

As a result, it may make sense to adjust the language of this bill to fit more closely the corporate income tax with its annually filed returns. One possible model that could be used is *Va. Code* § 58.1-2531 of the insurance premiums license tax, where a portion of the

revenues from such tax are distributed to Commonwealth Transportation Fund. Like the corporate income tax, the insurance premiums license tax is an annual tax based upon an insurance company's business activity for the entire taxable year. Thus, *Va. Code* § 58.1-2531 could work as a template for this bill, except that transfer under this bill would be made to the State Park Conservation Resources Fund.

## **11. Other comments:**

### Virginia's Tax Revenues

In Fiscal Year 2023 income tax revenue, both individual and corporate, constituted approximately 75.3% of the general fund ("GF") which is typically used for purposes such as education, health care, public safety, and social services. Sales tax revenue contributed 17% to Virginia's GF in Fiscal Year 2023 and, in many cases, specific sales tax revenue has been earmarked for special funds or programs such as transportation and local educational.

#### *Sales Tax*

Sales tax is a tax on consumption levied at the time of purchase. Both returns and payments are generally remitted to the state on a monthly basis. Statewide, the sales tax consists of a 4.3% state rate and the 1% local option tax for a total rate of 5.3%. While the largest share of the revenue generated from the 4.3% statewide rate is deposited in the General Fund, nearly one-fourth of this tax goes toward funding statewide transportation costs (0.9%) and another approximately one-third (1.375%) is used for local educational funding. Revenues from the 1% local option tax are retained by localities to be used without restriction. Additionally, certain regions of the state have a regional tax rate, typically levied for the purposes of using the revenues therefrom to fund transportation costs in the region in which the taxes were collected. Virginia also levies a complementary use tax, which applies to certain taxable goods and services that were not fully taxed at the time of purchase.

#### *Corporate Income Tax*

Corporate income tax is levied on the income generated by the taxpayer over the course of the entire taxable year and is generally remitted to the state on a quarterly basis. Income tax returns are filed annually and are subject to a substantial number of deductions and credits and may be subject to amendment for many years after submission of a return.

### Proposed Legislation

This bill would require that five percent of all corporate income tax revenues be distributed to the State Park Conservation Resources Fund ("the Fund") to provide (i) free entry to Virginia state parks and (ii) the conservation, development, maintenance, and operations of state parks acquired or held by the Department of Conservation and Recreation ("DCR") as provided in the appropriation act. This distribution would not reduce the total amount of annual appropriations for DCR and the Fund below the total amounts appropriated for the most recent fiscal year ending before July 1, 2024, except as provided by a subsequent appropriation act.

If errors are made in any payment to the Fund, or adjustments are otherwise necessary, the errors would be corrected, and adjustments made with one-half of the total adjustment included in the payments for the next two months. In addition, the payment would include a refund of amounts erroneously not paid to the Fund and not previously refunded during the three years preceding the discovery of the error.

If any revenues distributed to the Fund are used for any purpose other than those described above, the Department of Conservation and Recreation would be required to revert such revenues to the General Fund.

If enacted during the 2024 regular session of the General Assembly, this bill would become effective July 1, 2024.

### Similar Bills

**HB660** is identical to this bill.

cc : Secretary of Finance

Date: 1/27/2024 SJH  
SB451F161