Individual Income Tax (Effective January 1, 2005 unless otherwise noted)

	Current Structure	Governor Warner's Plan
Personal and Dependent Exemption	$800	$1,000
Standard Deduction *Single* *Married Filing Jointly* *Married Filing Separately*	 $3,000 $5,000 $2,500	 $4,000 $8,000 $4,000
Rates and Brackets	For taxable income: $0-$3,000 2% $3,001-$5,000 3% $5,001-$17,000 5% $17,001-over 5.75%	For taxable revenue: $0-$3,000 2% $3,001-$7,000 3% $7,001-$20,000 5% $20,001-$100,000 5.75% $100,001-Over 6.25%
Filing Threshold *Single* *Married Filing Jointly* *Married Filing Separately*	 $5,000 $8,000 $4,000	 $7,000 $14,000 $7,000

Individual Income Tax Continued (Effective January 1, 2005 unless otherwise noted)

	Current Structure	Governor Warner's Plan
Age Deduction	$12,000 for individuals 65 or older and $6,000 for individuals age 62 through 64, regardless of income	Individuals currently receiving the $12,000 deduction (i.e., are currently at least 65) are **not** affected. Filers who turn 65 on or after January 1, 2005 will receive an age deduction based on their income. The age deduction for these individuals will be reduced by $1 for every $2 above $50,000. Married couples who turn 65 on or after January 1, 2005 will reduce their deduction by $1 for every $2 above $75,000. The current $6,000 deduction for individuals who are 62-64 may be claimed only by filers who turn 62 on or before January 1, 2005.
Military Family Tax Relief Act	Virginia does not conform.	Virginia will conform for all affected tax years -- allowing federal tax relief to apply to the Virginia income tax. Examples of this tax relief are a deduction that allows people who serve in the National Guard to deduct up to $1,500 in expenses for overnight travel associated with their duty, and a capital gain exclusion for military personnel who sell a home owned for less than two years.

Sales Tax

	Current Structure	Governor Warner's Plan
Sales Tax	Current combined state and local rate of 4.5%	1% increase in sales tax, excluding food, to a combined state and local rate of 5.5% effective July 1, 2004.
Sales Tax on Food	Current combined state and local rate of 4.0%	1% reduction in food tax rate, effective July 1, 2004; an additional 0.5% reduction in food tax rate, effective July 1, 2005.
Streamlined Sales Tax Statute	Virginia has not adopted the provisions of the multi-state Streamlined Sales Tax agreement, which is intended to simplify and standardize sales tax laws across the states.	Adopt the Streamlined Sales Tax statute (without the sourcing rules), effective July 1, 2006. This does not allow taxing of access to the Internet. If Congress enacts legislation, the SSTP would allow states to collect sales taxes on goods purchased over the Internet. Under existing state law, sales taxes are owed on Internet purchases, but states have no means to ensure collection.

Business Tax Provisions (Effective January 1, 2004 unless otherwise noted)

	Current Structure	Governor Warner's Plan
Accelerated Sales Tax Collections	Sales tax dealers with annual sales of $1.3 million or more must make a prepayment in June of 90% of their June sales tax liability.	This requirement is repealed, effective July 1, 2004. Affected dealers will not have to make an accelerated payment in June, 2005.
Close Intangible Holding Company Loophole	Virginia must currently prove that transactions with intangible holding companies improperly reflect Virginia income.	Effects of transactions with intangible holding companies will be eliminated from the corporate income tax computation.
Eliminate "nowhere income" loophole by adopting a "sales throwback" rule	Virginia currently does not require that sales shipped from a Virginia site be included in computing Virginia tax if the corporation is not subject to tax in other states.	Sales throwback rule would treat sales made into states where the corporation is not taxable as Virginia sales, ensuring that profits from goods shipped from Virginia are taxed in Virginia, unless they are taxed in another state.

	Current Structure	Governor Warner's Plan
Pass-Through Entities	Currently, federal law provides that pass-through entities be taxed at the ownership level. However, most are not required to provide information to Virginia that identifies their owners. At present, only S corporations are required to file an annual informational income tax return with Virginia.	All other pass-through entities (partnerships & limited liability companies) will be required to file an annual informational income tax return with Virginia.
Deductions for Equipment Purchases (Federal Conformity to § 179 Expensing)	Virginia allows businesses to deduct as a business expense up to $25,000 in equipment or similar purchases.	Virginia will conform to new federal law for all affected tax years, allowing businesses to deduct up to $100,000 in equipment or similar purchases each year.

Cigarette Tax

	Current Structure	Governor Warner's Plan
State Cigarette Tax	Rate of 2.5 cents per pack	Increase rate by 22.5 cents to a total of 25 cents per pack, effective July 1, 2004.
Local Cigarette Tax	Authority to impose is limited to cities, towns, and two counties.	Allow all localities to impose a cigarette tax up to a maximum rate of 50 cents per pack. Localities currently levying the tax at a rate above 50 cents per pack may continue to levy their existing tax, but may not increase it. Counties will be given authority to levy a local cigarette tax in increasing amounts over three years: July 1, 2004 – up to 20 cents per pack July 1, 2005 – up to a total of 35 cpp July 1, 2006 – up to a total of 50 cpp
Car Tax Relief	Reimbursements are currently frozen at 70% of liability.	Increase reimbursements to 77.5% for CY 2005, 85% for CY 2006, 92.5% for CY 2007, and 100% for CY2008, subject to the same conditions as are in the Code of Virginia now for revenue growth.

Estate Tax	Tax is imposed on the transfer of taxable estates in excess of $1.5 million.	Effective for deaths occurring on and after January 1, 2004, the tax is imposed only on the transfer of taxable estates in excess of $10 million. No tax is imposed on estates if the majority of the estate consists of an interest in a closely held business or a working farm.