

Task Force #1 HJR 60 (2002)

State Income Tax Issue

4. Increase the personal exemption for individuals from \$800 to \$2,500

When calculating Virginia taxable income, every taxpayer is allowed a personal exemption of \$800 for each personal exemption allowed the taxpayer for federal income tax purposes. Also, each blind or elderly taxpayer, as defined in the Internal Revenue Code, is entitled to an additional personal exemption on his Virginia income tax return.

The Morris Commission suggested providing a personal exemption tax credit in the amount of \$125 per person and eliminating the current deduction for personal exemptions, including the additional one for the elderly. This \$125 credit would effectively increase the current personal exemption from \$800 to \$2,500.

Attached is an explanation, prepared by the Department of Taxation of the fiscal impact of such an increase in the personal exemption for fiscal years 2003 through 2006. Also attached is a table, prepared by the Department of Taxation, showing the revenue impact of increasing the personal exemption in \$100 increments for fiscal years 2004 through 2007.