

Task Force #1 HJR 60 (2002)

State Income Tax Issue

5. Adopt two individual income tax brackets with a rate of 5% applied to the first \$50,000 of taxable income and a rate of 5.75% applied to amounts above \$50,000.

Section 58.1-320 of the Code of Virginia provides for the imposition of the individual income tax on Virginia taxable income at the following rates:

- 2% on income not exceeding \$3,000;
- 3% on income in excess of \$3,000, but not in excess of \$5,000;
- 5% on income in excess of \$5,000, but not in excess of \$17,000; and
- 5.75% on income in excess of \$17,000.

The Morris Commission proposed eliminating the first two rates of tax (2% and 3%) and imposing the tax at a rate of 5% on the first \$50,000 of taxable income and 5.75% on taxable income above \$50,000.

Attached is an explanation, prepared by the Department of Taxation of the fiscal impact such income tax rates changes would create for fiscal years 2003 through 2006.