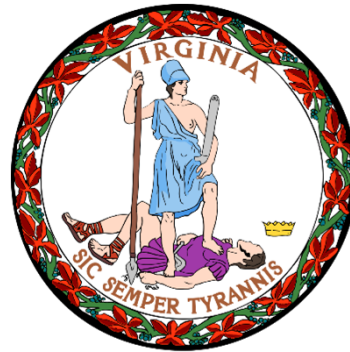


# Review of General Fund Revenues and the Virginia Economy for Fiscal Year 2019

*A presentation to the Senate Finance,  
House Appropriations and House Finance Committees*

*August 20, 2019*



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# Overview

## Fiscal Year 2019 Year-in-Review

- Economic Performance
- Certified General Fund Collections
- Certified Commonwealth Transportation Fund Collections
- Financial Results Balance Sheet
- Revenue Stabilization and Revenue Reserve Fund Balances
- Tax Conformity and Taxpayer Relief Refunds

## Looking Forward

- National and State Economic Indicators
- July 2019 General Fund Collections
- Fall Forecasting Process
- Known Funding Commitments / Risks

# FY 2019 – U.S. Economy Performed Near Expectations, While Virginia’s Economic Performance Was Below Projections

- As measured on a fiscal year basis (July through June), estimated real GDP increased 3.0 percent – inline with the forecast, while nationally, personal income and wages and salaries were slightly below expectations.
- In Virginia, growth in employment, personal income, and wages and salaries were all below the forecast based on available data.

## Summary of Key U.S. and Virginia Economic Indicators Percent Change Over the Prior Fiscal Year

	FY18 <u>Actual</u>	FY19 <u>Forecast</u>	FY19 <u>Actual</u>
<b><u>U.S.</u></b>			
Real GDP	2.6	3.0	3.0
Consumer Spending	2.5	2.9	2.7
Employment	1.5	1.6	1.7
Personal Income	4.5	4.4	4.2
Wages & Salaries	4.7	4.6	3.8
<b><u>Virginia</u></b>			
Employment	1.1	1.4	0.9
Professional/Business	2.5	2.3	1.8
Construction/Mining	2.5	3.3	1.2
Education/Health	1.5	1.9	1.4
Government	0.5	-0.1	0.7
Personal Income*	4.0	4.1	3.6
Wages & Salaries*	3.7	4.3	3.6

\* FY19 Actual data is based on the first 3 quarters of the fiscal year. Fourth quarter data will be released in the fall and expectations are for continuing improvement based on withholding receipts.

# Including Transfers, FY 2019 General Fund Resources Grew 7.1 Percent and Finished \$797.7 Million (3.8 Percent) Above Forecast

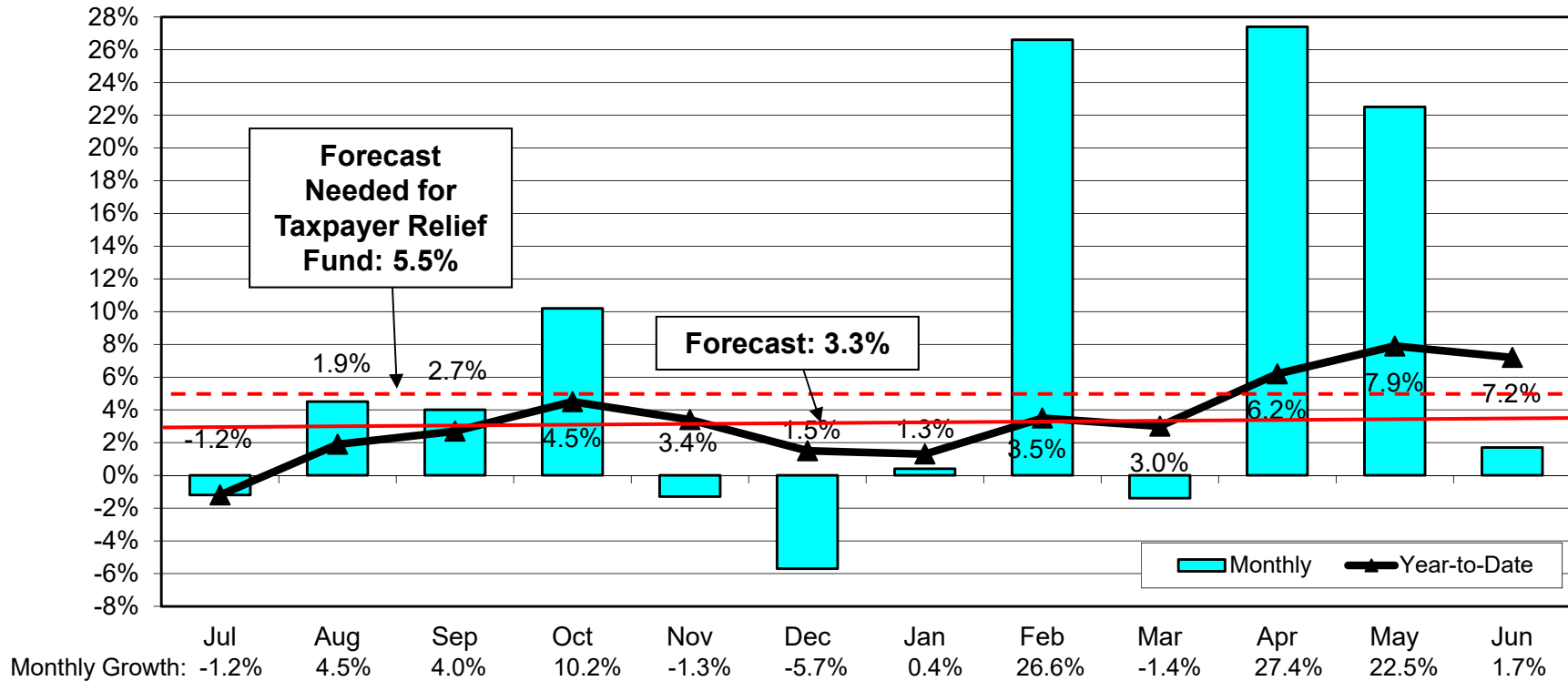
## Summary of Fiscal Year 2019 Revenue Collections (millions of dollars)

Major Sources	As a % of Total General Fund	(millions of dollars)			% Growth Over FY 18	
		Official	Actual	Change	Official	Actual
<b>Withholding</b>	<b>59.1%</b>	<b>\$13,013.9</b>	<b>\$12,987.8</b>	<b>(\$26.1)</b>	<b>3.8 %</b>	<b>3.6</b>
Nonwithholding	18.1	3,419.2	3,976.8	557.6	(1.5)	14.5
Refunds	(7.9)	(2,011.5)	(1,738.2)	273.3	5.4	(8.9)
Net Individual	69.3%	\$14,421.6	\$15,226.5	\$804.9	2.2 %	7.9 %
<b>Sales</b>	<b>16.3%</b>	<b>\$3,591.1</b>	<b>\$3,580.4</b>	<b>(\$10.7)</b>	<b>3.7 %</b>	<b>3.4 %</b>
Corporate	4.3	1,012.2	943.4	(68.8)	17.4	9.5
Wills (Recordation)	1.8	368.6	386.5	17.9	(6.7)	(2.1)
Insurance	1.7	395.3	382.0	(13.3)	17.0	13.0
All Other Revenue	3.6	739.9	788.8	48.9	3.0	9.8
<b>Total Revenue</b>	<b>97.0%</b>	<b>\$20,528.7</b>	<b>\$21,307.5</b>	<b>\$778.8</b>	<b>3.3 %</b>	<b>7.2 %</b>
A.B.C. Profits	0.6	\$115.6	\$130.7	\$15.1	5.6 %	19.4 %
Sales Tax (0.375%)	1.8	389.9	392.6	2.7	3.5	4.2
Transfers	0.6	133.6	134.7	1.1	(6.0)	(5.3)
<b>Total Transfers</b>	<b>3.0%</b>	<b>\$639.1</b>	<b>\$658.0</b>	<b>\$18.9</b>	<b>1.7 %</b>	<b>4.7 %</b>
<b>TOTAL GENERAL FUND</b>	<b>100.0%</b>	<b>\$21,167.8</b>	<b>\$21,965.5</b>	<b>\$797.7</b>	<b>3.2 %</b>	<b>7.1 %</b>

- The gain in nonwithholding and individual income tax refunds, about \$831 million, was slightly offset by shortfalls in most other revenue sources.
- To fully fund the enacted budget and the Taxpayer Relief Fund of \$450 million, total fiscal year revenue growth needed to reach 5.5 percent – September 1 is the deadline for Governor’s certification.

# FY 2019 General Fund Revenue Grew 7.2 Percent

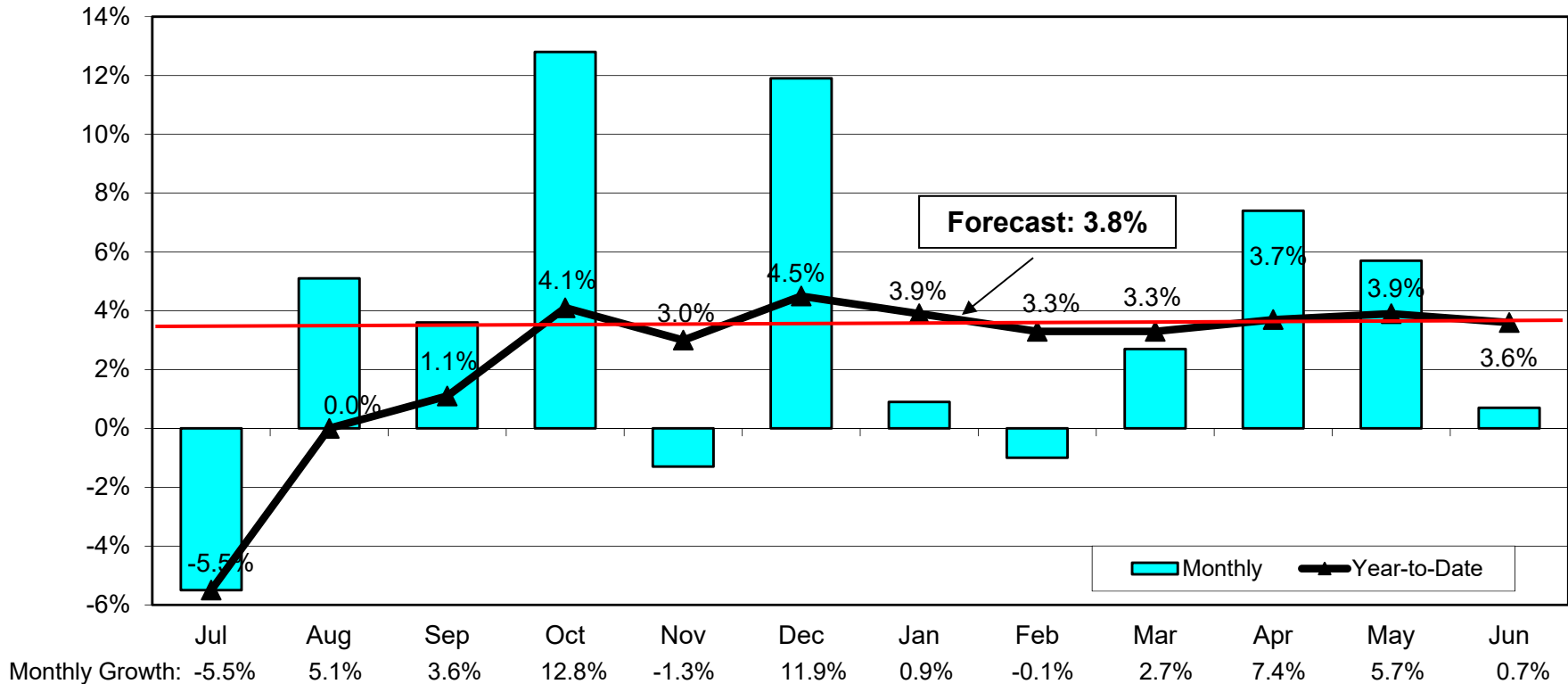
## Growth in Total General Fund Revenue Collections FY19 Monthly and Year-to-Date



- Total general fund revenues increased 1.7 percent in June.
- Fiscal-year-to-date total general fund revenues increased 7.2 percent, ahead of the annual forecast of a 3.3 percent increase.

# Payroll Withholding Tax Collections Fell Short of the Annual Estimate by \$26.1 Million (0.2 percent) in FY 2019

## Growth in Withholding Tax Collections FY19 Monthly and Year-to-Date



- Collections increased 0.7 percent in June.
  - There were no significant calendar day issues affecting year over year comparisons.
- Fiscal-year-to-date withholding collections increased 3.6 percent compared with last year, behind the projected annual growth of 3.8 percent.

# Acceleration in Withholding Was Broad-based and Included Strong Growth in Large Businesses and Professional and Business Services

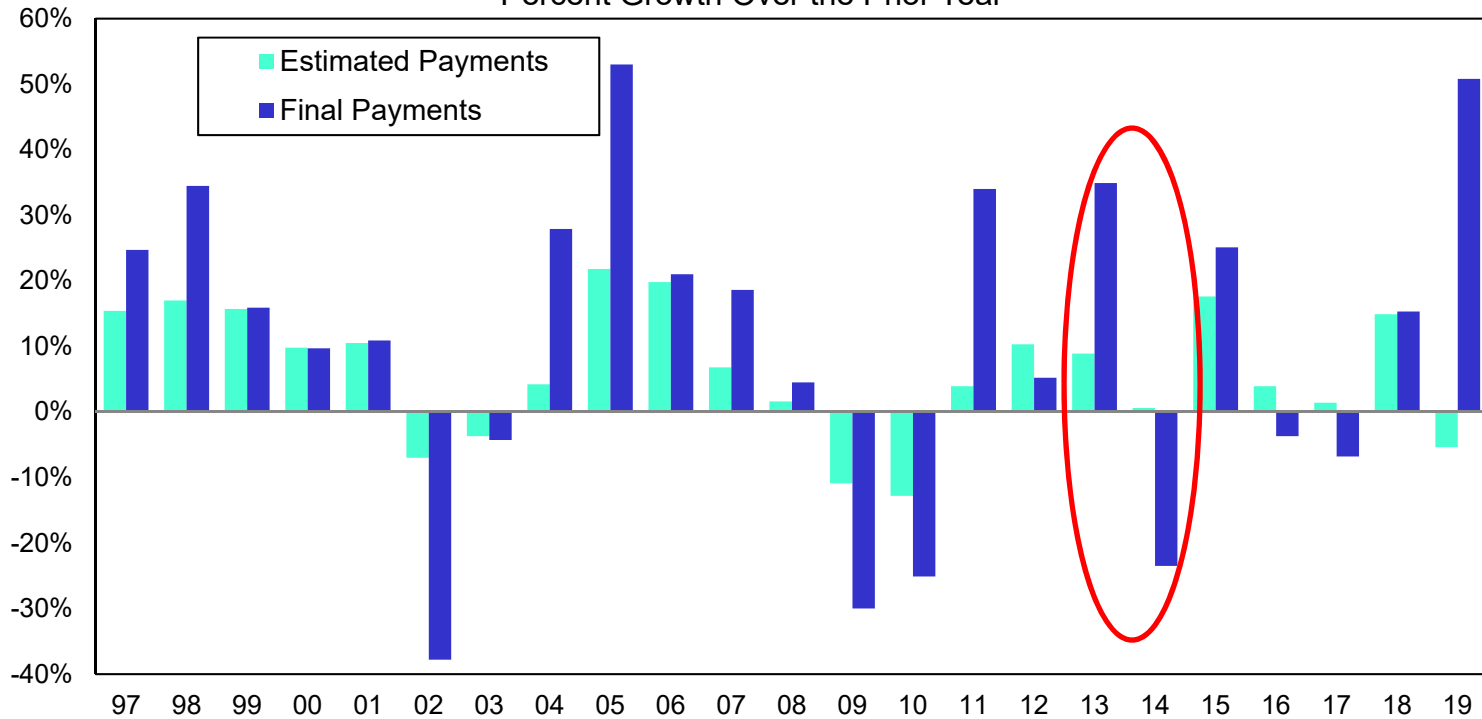
## Withholding Tax Collections Fiscal Years 2017 - 2019 millions of dollars

Industry (% of Total \$ Amount)	# of Firms in FY16	Millions of Dollars			Percent Change		
		FY17	FY18	FY19	FY17	FY18	FY19
Public Sector (17%)	100	\$2,095.5	\$2,178.4	\$2,273.4	3.0%	4.0%	4.4%
Education and Health Services (8%)	300	\$965.9	\$1,011.8	\$1,069.0	7.5%	4.8%	5.6%
Federal Contractors (4%)	244	\$467.3	\$478.3	\$501.3	-2.0%	2.4%	4.8%
Professional and Business Services (3%)	719	\$390.9	\$403.1	\$460.1	5.5%	3.1%	14.1%
Finance (3%)	170	\$379.7	\$412.9	\$436.6	6.3%	8.7%	5.7%
Investment (2%)	224	\$270.6	\$297.1	\$332.5	9.7%	9.8%	11.9%
Manufacturing (1%)	232	\$164.1	\$182.4	\$189.6	-6.7%	11.2%	3.9%
Transportation (1%)	59	\$137.1	\$144.2	\$145.1	7.0%	5.2%	0.6%
Housing (1%)	188	\$106.7	\$122.4	\$127.0	2.4%	14.7%	3.8%
Other (4%)	681	\$504.3	\$529.0	\$580.3	2.6%	4.9%	9.7%
<b>Total Large Payers (46%)</b>	<b>2,917</b>	<b>\$5,482.0</b>	<b>\$5,759.8</b>	<b>\$6,114.8</b>	<b>3.7%</b>	<b>5.1%</b>	<b>6.2%</b>
<b>Total Small Payers (54%)</b>	<b>221,588</b>	<b>\$6,413.4</b>	<b>\$6,780.7</b>	<b>\$6,865.7</b>	<b>6.5%</b>	<b>5.7%</b>	<b>1.3%</b>
<b>Total All</b>	<b>224,505</b>	<b>\$11,895.4</b>	<b>\$12,540.5</b>	<b>\$12,987.9</b>	<b>5.2%</b>	<b>5.4%</b>	<b>3.6%</b>

Large Payers Include Payments in Excess of \$100,000

# Individual Income Tax Nonwithholding Collections Were \$557.6 Million (16.3 Percent) Ahead of the Annual Estimate in FY 2019

Growth in Estimated and Final Payments, FY97 - FY19  
Percent Growth Over the Prior Year



- Collections of nonwithholding, 17 percent of total revenues and one of the most volatile revenue sources, were significantly ahead of expectations, due to capital gains realizations and the timing of payments related to federal tax changes.
- Total nonwithholding collections grew 14.5 percent in fiscal year 2019 compared with the annual estimate of a 1.5 percent decrease.
- The estimate included reducing forecasted collections by \$213 million for the nonwithholding collar. The nonwithholding collar is the 10-year average of nonwithholding payments as a percent of total revenues (16.15%), limited to 1 percent of general fund revenues.



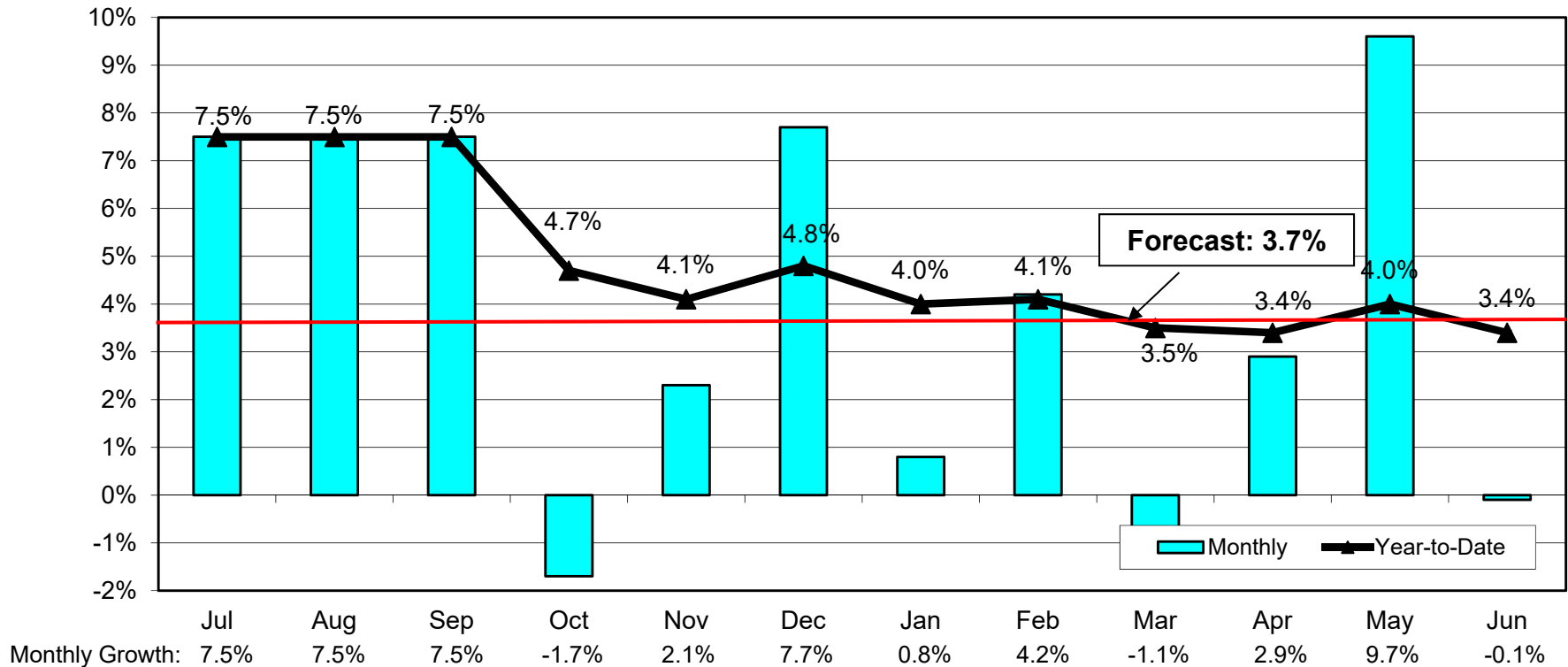
# Large Individual Payments Reflect Capital Gains and Substantial Non-wage Income

Large Individual Payments April - May		
	<u>Number of Payments</u>	<u>Total \$ Amt of Payments</u> (in millions)
<b>FY06</b>	876	\$274.3
<b>FY07</b>	930	\$330.8
<b>FY08</b>	924	\$344.2
<b>FY09</b>	511	\$257.9
<b>FY10</b>	328	\$112.5
<b>FY11</b>	547	\$204.7
<b>FY12</b>	521	\$184.4
<b>FY13</b>	884	\$327.5
<b>FY14</b>	427	\$141.5
<b>FY15</b>	606	\$215.5
<b>FY16</b>	687	\$220.2
<b>FY17</b>	645	\$178.7
<b>FY18</b>	646	\$201.8
<b>FY19</b>	1,195	\$463.8
<b>FY20</b>	?	?

- Fiscal year 2013 payments spiked as taxpayers reacted to changes in federal tax legislation that was enacted in December 2012.

# Total Sales and Use Tax Collections Fell Short of the Annual Estimate by \$10.7 Million (0.3 Percent) in FY 2019

## Growth in Sales and Use Tax Collections FY19 Monthly and Year-to-Date



- Collections of sales and use taxes, reflecting mainly May sales, fell 0.1 percent in June.
- Fiscal-year-to-date collections increased 3.4 percent, behind the annual estimate of 3.7 percent growth.
- Sales taxes increased 2.7 percent, use taxes increased 13.7 percent.

# Other Revenue Sources in FY 2019

## Individual Income Tax Refunds

- Refunds decreased 8.9 percent during fiscal year 2019, as compared to the annual estimate of a 5.4 percent increase.
- During the fiscal year 2019 filing season, which began in February, TAX issued 2.4 million refunds, about 139,000 fewer than last year.
- Part of the decline in refunds is due to the *Tax Cuts and Jobs Act* effects on Virginians.

## Corporate Income Tax

- Corporate income tax collections fell short of its forecast by \$68.8 million (6.8 percent), advancing 9.5 percent.

## Wills, Suits, Deeds, and Contracts (Recordation Tax)

- Wills, Suits, Deeds, and Contracts (primarily recordation tax collections) finished \$17.9 million ahead of the annual forecast (4.8 percent), declining 2.1 percent.

## Insurance Premiums Tax

- Insurance premiums tax collections fell short of the annual estimate by \$13.3 million (3.4 percent), advancing 13.0 percent.

# Commonwealth Transportation Fund (CTF)

## Collections Ended FY 2019 with a \$57.7 Million Surplus

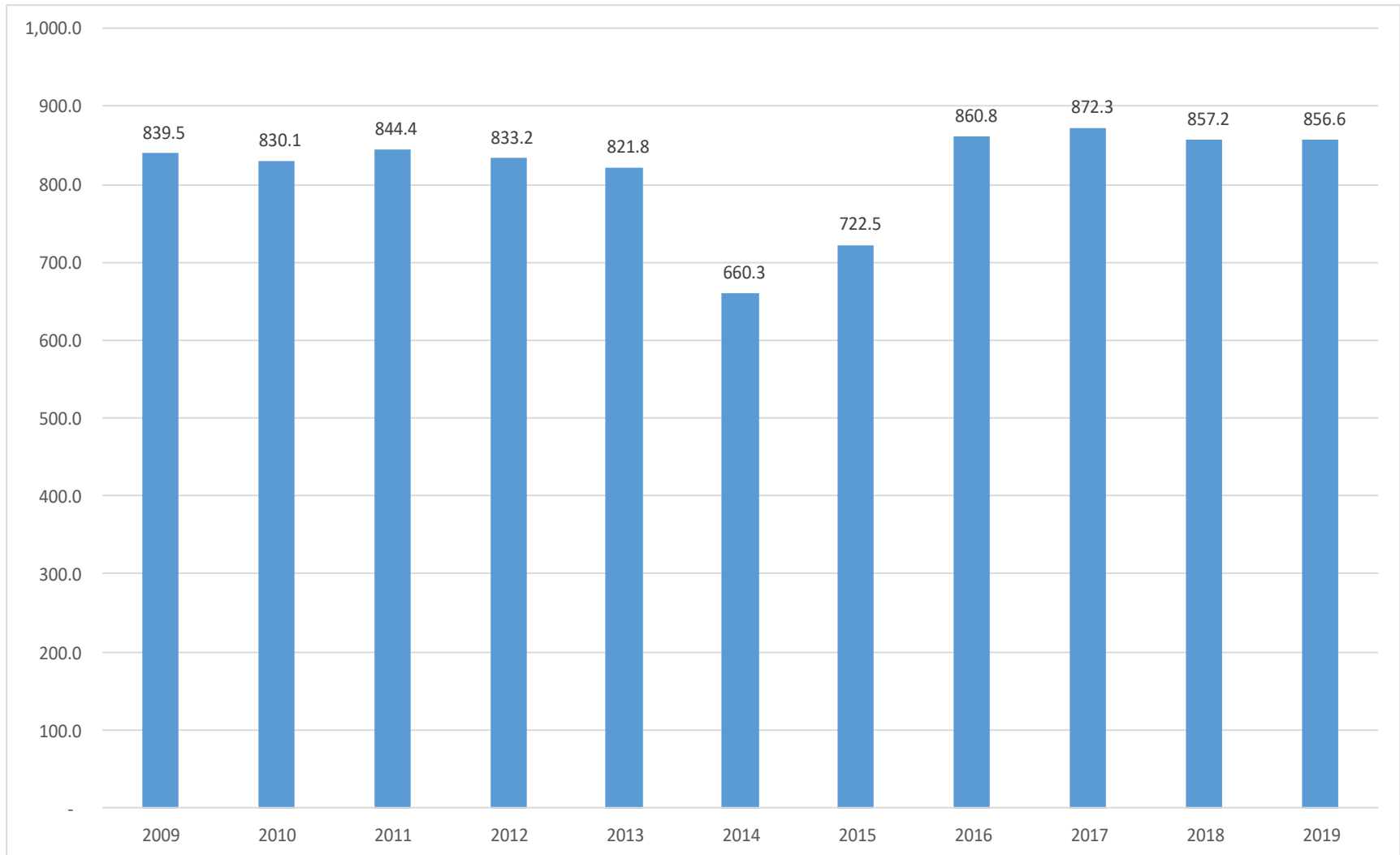
**Actual Collections Compared to the Official Forecast for Fiscal Year 2019**  
(Millions of Dollars)

Revenue Sources	FY2018 Actual	FY2019 Actual	FY2019 Forecast	Percent Change 2018-2019		Forecast Variance	
				Actual	Forecast	Amount	Percent
Motor Fuels Tax	843.5	844.7	891.5	0.1	5.7	(46.8)	(5.2)
Road Use Tax	11.6	9.8	12.1	(15.5)	4.3	(2.3)	(19.0)
<b>Vehicle Sales Tax</b>	<b>943.6</b>	<b>978.6</b>	<b>916.1</b>	<b>3.7</b>	<b>(2.9)</b>	<b>62.5</b>	<b>6.8</b>
Vehicle Licenses	258.8	266.1	258.6	2.8	(0.1)	7.5	2.9
State Sales Tax	1,043.8	1,087.8	1,073.6	4.2	2.9	14.2	1.3
Recordation Tax	47.8	47.1	43.6	(1.5)	(8.8)	3.5	8.0
Insurance Premiums Tax	168.0	168.7	168.7	0.4	0.4	0.0	0.0
Int'l Registration Plan	69.2	72.6	67.6	4.9	(2.3)	5.0	7.4
Interest Earnings	8.9	16.4	3.8	84.3	(57.3)	12.6	331.6
Rental Tax	40.2	42.4	42.1	5.5	4.7	0.3	0.7
Aviation Fuels Tax	2.0	2.0	1.9	0.0	(5.0)	0.1	5.3
Miscellaneous	19.6	19.0	17.9	(3.1)	(8.7)	1.1	6.1
<b>TOTAL</b>	<b>\$3,457.0</b>	<b>\$3,555.2</b>	<b>\$3,497.5</b>	<b>2.8</b>	<b>1.2</b>	<b>57.7</b>	<b>1.6</b>

- Total revenue growth exceeded the target with a 1.6 percent forecast variance.
  - The forecast variance was due to stronger than expected growth in motor vehicle sales tax collections.

# Total Virginia Motor Fuels Tax Collections

million of dollars



# \$344.4 Million Will Be Added to the Combined Balances of the Revenue Stabilization Fund and the Revenue Reserve

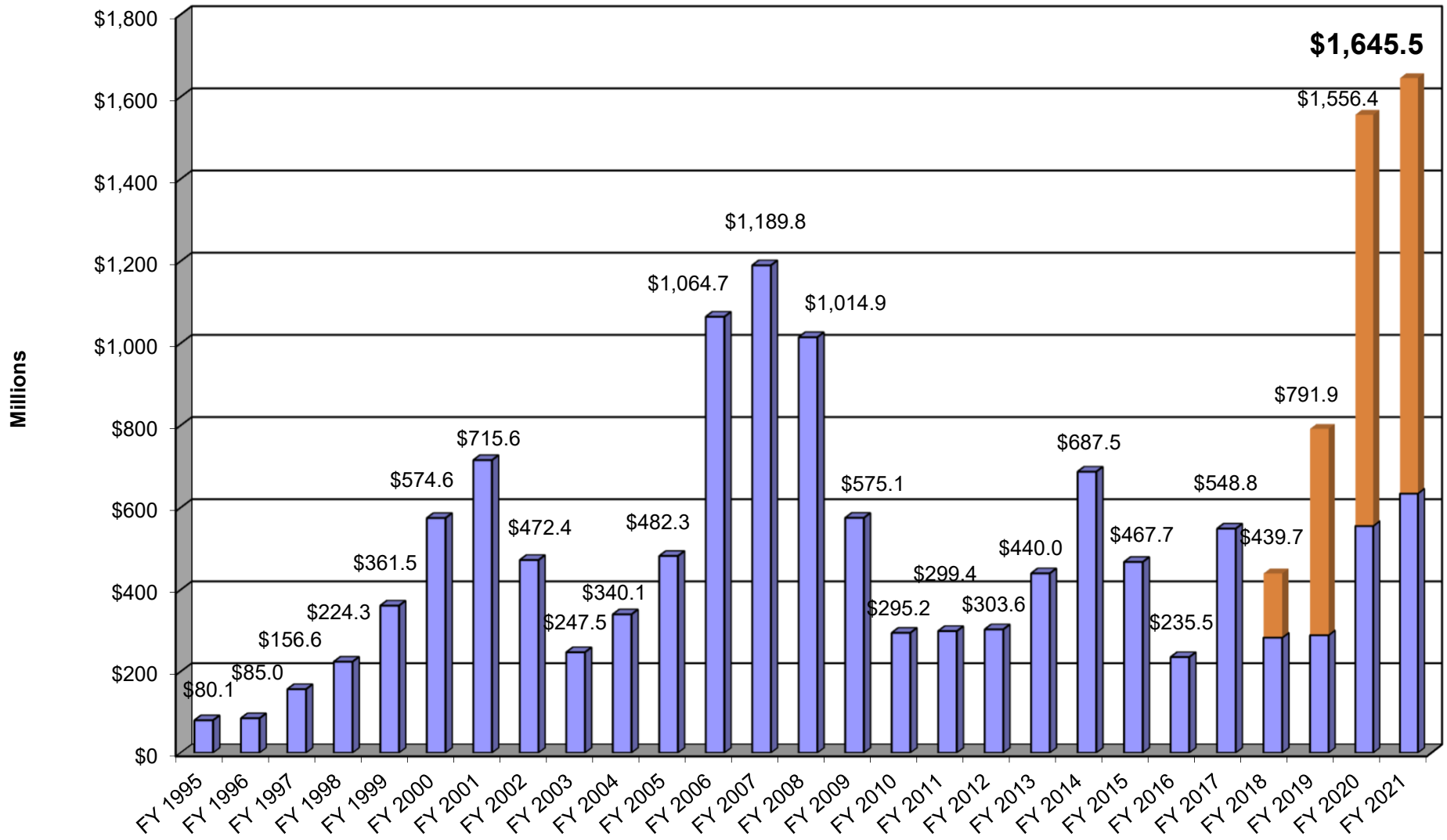
Commonwealth of Virginia  
Preliminary Balance Sheet  
General Fund - Cash Basis (Unaudited)  
June 30, 2019  
(Dollars in Thousands)

<b>Assets</b>			
Cash, Cash Equivalents, and Investments	\$ 2,886,715		
Cash and Travel Advances	473		
Other Assets	48		
Due From Other Funds	75		
Total Assets		<u>\$ 2,887,311</u>	
<b>Liabilities and Fund Equity</b>			
<b>Liabilities:</b>			
Payments Awaiting Disbursement	81,789		
Deposits Pending Distribution	3,651		
Due To Other Funds	2,535		
Total Liabilities		<u>\$ 87,975</u>	
<b>Fund Equity:</b>			
<b>Restricted Fund Balance:</b>			
Revenue Stabilization Fund	289,302		
Revenue Stabilization Reserve 2020	262,942		
Revenue Stabilization Reserve 2021	73,612		
Lottery Proceeds Fund	10,791		
Water Supply Assistance Grant Fund	2,192		
Total Restricted Fund Balance	<u>638,839</u>		
<b>Committed and Assigned Fund Balance:</b>			
Amount Required for Reappropriation of 2019 Unexpended Balances for Capital Outlay and Restoration Projects	6,739		
Virginia Health Care Fund	53,115		
Central Capital Planning Fund	7,043		
Communication Sales and Use Tax	33,853		
Commonwealth's Development Opportunity Fund	26,051		
Natural Disaster Sum Sufficient	21,328		
Amount Required for Mandatory Reappropriation	108,175		
Virginia Water Quality Improvement Fund	34,491		
Virginia Water Quality Improvement Fund - Part A	32,386		
Virginia Water Quality Improvement Fund - Part B	14,640		
Revenue Reserve Fund	502,590		
Taxpayer Relief Fund	455,000		
Local Government Fiscal Distress	750		
Amount Required by Chapter 854	229,879		
Amount Required for Discretionary Reappropriations	131,762		
Amount for Voluntary Revenue Reserve Deposit	270,820		
Nongeneral Fund Balances Reported in General Fund	231,876		
	<u>2,160,497</u>		
Total Fund Equity		<u>\$ 2,799,336</u>	
Total Liabilities and Fund Balance		<u>\$ 2,887,311</u>	

**Additional Reserve Deposits**  
**\$344.4 million**

## Total of All Reserves at the End of the Fiscal Year

■ Revenue Stabilization Fund     
 ■ Revenue Reserve



Note: The FY 2020 and FY 2021 amounts do not include \$97.5 million appropriated in FY 2020 (CH 854, 2019 Acts of Assembly) as a prepayment for estimated Revenue Stabilization Fund deposit requirements in FY 2022.

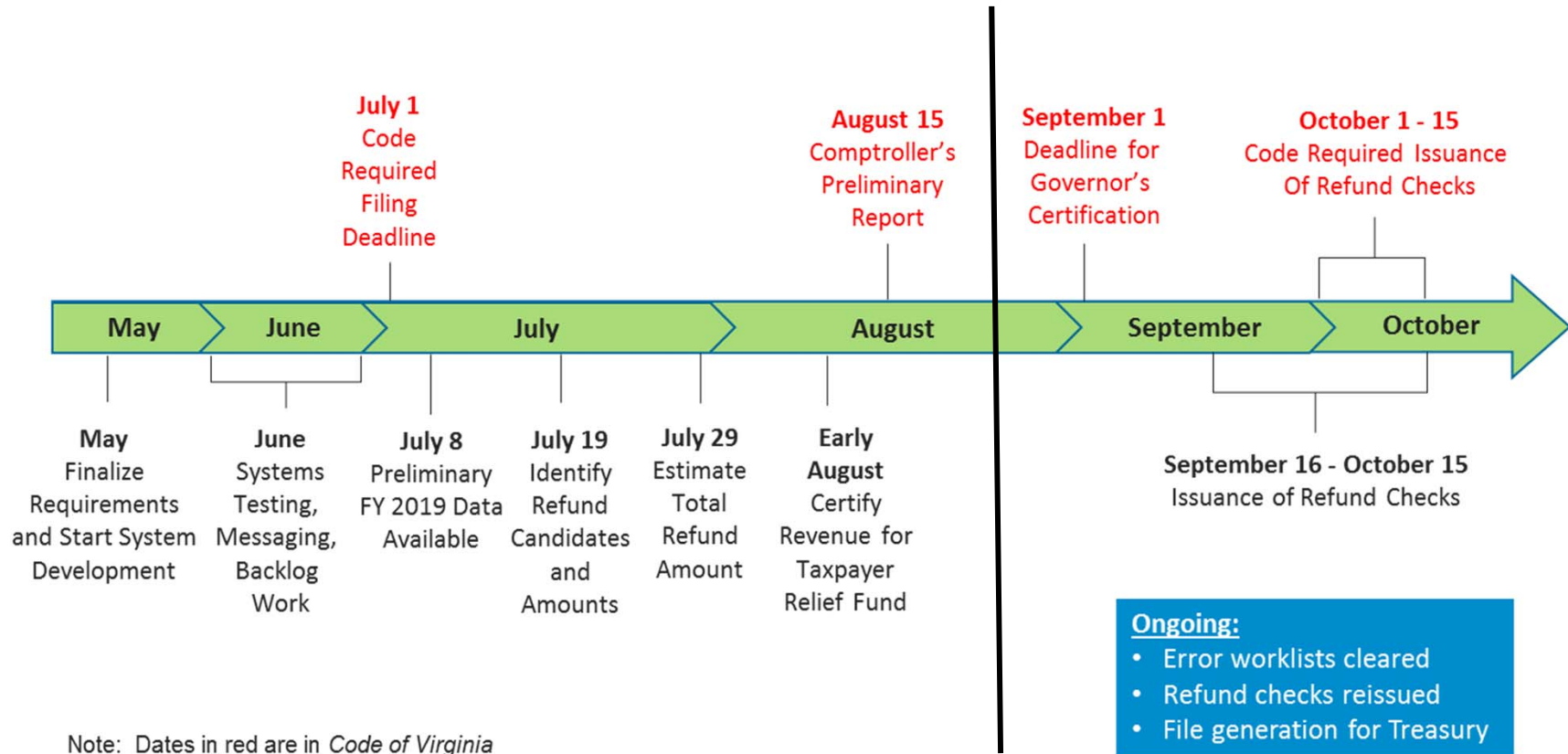
# Tax Conformity and Taxpayer Relief Refunds

## Statutory Requirements:

- 2018 Individual Tax Return must be filed by July 1, 2019.
- Refund amount is a maximum of \$110 for an individual and \$220 for a joint return.
  - Limited to the tax liability after any deductions, subtractions or credits to which the individual is entitled
- The Governor, in consultation with the State Comptroller and the Tax Commissioner, must certify revenue for the Taxpayer Relief Fund to the General Assembly on or before September 1, 2019.
- If the estimated amount in the Taxpayer Relief Fund is insufficient to issue the full amount of the refunds, then such refunds will be reduced and prorated.
- Refunds to be issued on or after October 1, 2019 but before October 15, 2019



# Taxpayer Relief Refunds Timeline



Note: Dates in red are in *Code of Virginia*

# Tax Conformity and Taxpayer Relief Refunds

## Ernst & Young Analysis of *Tax Cuts and Jobs Act* (TCJA) Temporary Provisions Received in FY 2019

- Ernst & Young (E&Y) was hired to analyze the 2018 tax returns filed by July 1 to determine the amount of additional revenue that was attributable to either the underlying economy or the TCJA temporary provisions.
  - Net revenue of \$455 million received due to TCJA temporary provisions
    - Additional \$466 million from individuals
    - An \$11 million decline from corporations
- Analysis showed 728,000 resident individuals switched from itemized to standard deduction. Chainbridge had estimated 504,361.
- The total Taxpayer Relief Fund payments are anticipated to be \$431 million.
- The entire Ernst & Young report and appendix data is attached in the appendix.

# Ernst & Young Summary

## Estimated average Virginia tax liability impact of the individual reform provisions of the TCJA

Adjusted Gross Income	Number of Returns (thousands)	Tax Liability (\$millions)	Average Change (\$)
Less than \$0	19	16	870
\$0 under \$25,000	1,228	23	19
\$25,000 under \$50,000	820	46	56
\$50,000 under \$75,000	503	55	110
\$75,000 under \$100,000	345	61	178
\$100,000 under \$125,000	241	51	212
\$125,000 under \$150,000	161	39	242
\$150,000 under \$175,000	112	29	263
\$175,000 under \$200,000	78	21	270
\$200,000 under \$250,000	98	28	286
\$250,000 under \$500,000	115	37	325
\$500,000 under \$1,000,000	20	17	851
More than \$1,000,000	6	41	6,491
<b>All returns</b>	<b>3,745</b>	<b>466</b>	<b>125</b>

Note: Adjusted gross income is federal adjusted gross income adjusted for filers of forms 760PY and 763. Tax liability is income tax after credits. Results are shown for filers of form 760, 760PY, Source: EY analysis.

- The average change across all returns was a \$125 increase.

# Official FY 2020 Total General Fund Revenue and Transfers Forecast Calls for a 1.0 Percent Increase Compared to Actual Collections for FY 2019

Summary of General Fund Revenue Collections FY 2019 and FY 2020  
(millions of dollars)

<u>Revenue Source</u>	<u>Official Estimate FY2019</u>	<u>% Annual Growth Req By Estimate</u>	<u>Actual Collections FY2019</u>	<u>% Actual Growth</u>	<u>Amount Variance</u>	<u>Official Estimate FY2020</u>	<u>% Change From Actual</u>
Individual Income Tax:							
Withholding	\$ 13,013.9	3.8%	\$ 12,987.8	3.6%	\$ (26.1)	\$ 13,539.7	4.2%
Nonwithholding	3,419.2	(1.5)	3,976.8	14.5	\$ 557.6	3,837.9	(3.5)
Refunds	(2,011.5)	5.4	(1,738.2)	(8.9)	273.3	(2,115.1)	21.7
Net Individual Income Tax	14,421.6	2.2	15,226.5	7.9	804.9	15,262.5	0.2
Sales and Use	3,591.1	3.7	3,580.4	3.4	(10.7)	3,729.5	4.2
Corporate Income	1,012.2	17.4	943.4	9.5	(68.8)	1,030.8	9.3
Insurance Premiums	395.3	17.0	382.0	13.0	(13.3)	410.3	7.4
Wills, Suits, Deeds, Contracts	368.6	(6.7)	386.5	(2.1)	17.9	368.6	(4.6)
Interest	68.5	11.4	87.0	41.4	18.5	74.5	(14.4)
Other Revenue	671.5	2.2	701.8	6.9	30.3	680.5	(3.0)
Total General Fund Revenue	20,528.7	3.3	21,307.5	7.2	778.8	21,556.7	1.2
Transfers	639.1	1.7	658.0	4.7	18.9	635.8	(3.4)
Total General Fund Resources	\$ 21,167.8	3.2%	\$ 21,965.5	7.1%	\$ 797.7	\$ 22,192.5	1.0%

- Withholding and sales tax collections need to increase by 4.2 percent to attain the Chapter 854 Budget Bill.
- Excluding nonwithholding, general fund revenues need to increase by 2.2 percent for fiscal year 2020.

# Current *IHS Markit* Outlook for FY 2020

## Points to a Marked Slow Down

- Following average growth of 3.2 percent over the four quarters ending in the first quarter of this year, GDP growth slowed sharply to 2.1 percent in the second quarter and average growth is expected to be 1.8 percent in the second half of this year.
- The slowdown is due to a decline in global growth, less boost to domestic spending from rising stock prices and fiscal stimulus, the effects of new tariffs, slowing inventory accumulation, and approaching capacity constraints.

### Summary of Key U.S. and Virginia Economic Indicators

Percent Change Over the Prior Fiscal Year

	FY19 <u>Actual</u>	FY20 <u>Official</u> <u>July</u>	
<b><u>U.S.</u></b>			
<b>Real GDP</b>	3.0	2.4	2.0
Consumer Spending	2.7	2.6	2.3
Employment	1.7	1.3	1.3
Personal Income	4.2	4.9	4.5
Wages & Salaries	3.8	4.8	4.1
<b><u>Virginia</u></b>			
<b>Employment</b>	0.9	1.1	tbd
Professional/Business	1.8	3.7	tbd
Construction/Mining	1.2	3.9	tbd
Personal Income*	3.6	4.8	tbd
Wages & Salaries*	3.6	4.2	tbd

\* FY19 Actual data is based on the first 3 quarters of the fiscal year.

# National and State Economic Indicators

- According to the advance estimate, real GDP grew at an annualized rate of 2.1 percent in the second quarter of 2019, following 3.1 percent in the first quarter.
- Payroll employment rose by 164,000 jobs in July.
  - This follows the June gain of 193,000 jobs.
- The national unemployment rate remained unchanged at 3.7 percent in July.
- Initial claims for unemployment fell by 8,000 to 209,000 during the week ending August 3, consistent with a healthy labor market.
  - The four-week moving average rose by to 212,150.
- The Conference Board's index of leading indicators fell 0.3 percent in June, following no change in May, suggesting economic growth has slowed.
- The Conference Board's index of consumer confidence rose from 124.3 to 135.7 in July. Both the expectations and current conditions components contributed to the increase.
- With escalating tensions between the U.S. and its major trading partners, conditions in the manufacturing sector further weakened in July. The Institute of Supply Management index fell from 51.7 to 51.2, still consistent with continued growth.
- Total household debt increased for the 20<sup>th</sup> consecutive quarter to \$13.9 trillion dollars in the second quarter of 2019 and was \$1.1 trillion higher than the previous peak in the third quarter of 2008.

## National and State Economic Indicators

- The CPI rose 0.3 percent in July following a 0.1 percent increase in June, and stands 1.8 percent above July 2018.
  - Core inflation (excluding food and energy prices) rose by 0.3 percent, and has increased 2.2 percent from last year.
- At its August meeting, the Federal Reserve lowered the federal funds target rate by 25 basis points to 2.00 to 2.25 percent.
- In Virginia, payroll employment rose 0.8 percent in June compared with last year. Northern Virginia posted growth of 1.1 percent; Hampton Roads employment grew 0.8 percent, and Richmond-Petersburg rose 1.6 percent.
- The seasonally adjusted unemployment rate fell 0.1 percentage point to 2.9 percent in June and remains 0.1 percent below last year.
- The Virginia Leading Index declined by 0.3 percent in June after rising 0.3 percent in May.
  - Auto registrations and the U.S. leading index declined in June and initial claims increased; future employment was unchanged.
  - The indexes for Hampton Roads, Bristol, and Winchester increased in June while the indexes for the remaining eight regions declined.

# July's Revenue Collections Increased 16.0 Percent

## Summary of July FY 2020 Revenue Collections

Percent Growth over Prior Year

<u>Major Source</u>	As a % of Total <u>Revenues</u>	<u>YTD</u> <u>Actual</u>	<u>Annual</u> <u>Estimate</u>	<u>Variance</u>
Withholding	62.8 %	19.3 %	4.2 %	15.1 %
Nonwithholding	17.8	25.7	(3.5)	29.2
Refunds	(9.8)	3.4	21.7	(18.3)
Net Individual	70.8	20.5	0.2	20.3
Sales	17.3	(3.8)	4.2	(8.0)
Corporate	4.8	(6.2)	9.3	(15.5)
Wills (Recordation)	1.7	28.5	(4.6)	33.1
Insurance	1.9	n/a	7.4	n/a
All Other Revenue	3.5	4.7	(4.3)	9.0
<b>Total</b>	<b>100.0 %</b>	<b>16.0 %</b>	<b>1.2 %</b>	<b>14.8 %</b>

- July is not a significant month, representing only 6 percent of the FY19 forecast.
- The July increase was largely due to timing of payroll withholding.
  - July included about \$120 million normally received in August.
  - Total revenue growth would have been 5.8 percent as compared to the 16.0 percent.



# Known Funding Commitments / Risks

- **Annual Medicaid Forecast**
- **Standards of Quality (SOQ) Rebenchmarking**
- **Virginia Retirement System (VRS) Discount Rate**
- **Federal Actions**
  - Grants Funding
  - Disallowances
- **Agency Projects**
  - DOA / DHRM – Human Resource System Replacement
- **Transportation Funding**
- **Lottery**
- **Capital Allocation**
  - Priority
  - Deferred Maintenance
  - Increased Construction Costs

# Fall Forecasting Process Will Begin in September

- Trends in revenue collections over the next few months will be incorporated into the fall forecasting process.
  - **September:**
    - Individual, corporate, and insurance estimated payments are due.
  - **October:**
    - Retailer's corporate estimated payments are due.
    - Joint Advisory Board of Economists (JABE) reviews economic projections for current and next biennium.
  - **November:**
    - Corporate refunds from extension returns peak.
    - Individual income tax extension returns due November 1.
    - Governor's Advisory Council on Revenue Estimates (GACRE) reviews revenue forecast for FY 2020 and the 2020 - 2022 biennium.
  - **December:**
    - General fund revenue forecast finalized.
    - Governor Northam's amendments to the FY 2020 budget and 2020 - 2022 budget are presented to the Joint Money Committee.

# Appendix

- Fiscal Year 2019 General Fund Collections: Actual and Official Forecast
- Official General Fund Forecast for Fiscal Year 2020
- Official Commonwealth Transportation Fund Forecast for Fiscal Year 2020
- Growth in Total General Fund Revenues, Fiscal Years 1961 to 2020
- June 2019 Revenue Report
- July 2019 Revenue Report
- Ernst & Young (E&Y) Virginia Taxpayer Relief Estimate for Fiscal Year 2019 Report

Note:

General Fund Preliminary Annual Report, August, 2019 is available at the Department of Accounts web site ([www.doa.virginia.gov](http://www.doa.virginia.gov)).

This presentation is available at the Secretary of Finance web site ([www.finance.virginia.gov](http://www.finance.virginia.gov)).

**Fiscal Year 2019 General Fund Collections: Actual and Official Forecast**  
(Dollars in Millions)

	Fiscal Year 2018		Fiscal Year 2019					
	Actual	% Growth	Official Forecast	Actual	Forecast Dollars	Variance Percent	% Growth Over FY 18	
							Official	Actual
<b>MAJOR TAX SOURCES</b>								
Corporate Income	\$ 861.9	4.2 %	\$ 1,012.2	\$ 943.4	\$ (68.8)	(6.8) %	17.4 %	9.5 %
Individual Income Tax:								
Gross	16,013.4	7.4	16,433.1	16,964.7	531.6	3.2	2.6	5.9
Withholding	12,540.5	5.4	13,013.9	12,987.8	(26.1)	(0.2)	3.8	3.6
Nonwithholding	3,472.9	15.1	3,419.2	3,976.8	557.6	16.3	(1.5)	14.5
Refunds	<u>(1,907.6)</u>	<u>2.5</u>	<u>(2,011.5)</u>	<u>(1,738.2)</u>	<u>273.3</u>	<u>(13.6)</u>	<u>5.4</u>	<u>(8.9)</u>
Net	14,105.8	8.1	14,421.6	15,226.5	804.9	5.6	2.2	7.9
Insurance Company Premiums	337.9	(0.9)	395.3	382.0	(13.3)	(3.4)	17.0	13.0
State Sales & Use Tax	3,461.8	3.1	3,591.1	3,580.4	(10.7)	(0.3)	3.7	3.4
Wills, Suits, Deeds, & Contract Fees	<u>394.9</u>	<u>0.1</u>	<u>368.6</u>	<u>386.5</u>	<u>17.9</u>	<u>4.8</u>	<u>(6.7)</u>	<u>(2.1)</u>
Total Major Tax Sources	\$ 19,162.3	6.6 %	\$ 19,788.8	\$ 20,518.7	\$ 729.9	3.7 %	3.3 %	7.1 %
<b>MISCELLANEOUS TAXES AND OTHER REVENUES</b>								
Alcoholic Beverage State Tax	\$ 191.0	5.7 %	\$ 199.1	\$ 200.1	\$ 1.0	0.5 %	4.3 %	4.8 %
Bank Franchise Tax	24.0	8.7	24.0	29.7	5.7	23.7	0.2	24.0
Beer & Beverage Excise Tax	40.9	(2.0)	40.9	40.7	(0.2)	(0.6)	0.1	(0.5)
Corporate Franchise & Charter Fees	53.6	0.5	53.7	58.2	4.5	8.5	0.1	8.6
Excess & Other Fees from Officers	(7.7)	3.5	(7.6)	(6.9)	0.7	(9.7)	0.8	10.3
Estate & Gifts	0.9	na	0.0	0.2	0.2	n/a	n/a	n/a
Institutional Revenues	2.8	22.1	2.6	2.7	0.1	3.6	(5.7)	(2.3)
Interest & Rents	61.7	10.3	68.8	87.3	18.5	26.9	11.4	41.4
Licenses & Permits	4.0	(3.7)	4.1	3.9	(0.2)	(3.8)	2.3	(1.5)
Miscellaneous Taxes and Penalties	229.2	(3.4)	232.0	245.9	13.9	6.0	1.2	7.3
Other Miscellaneous Revenues	19.4	(35.4)	23.6	28.1	4.5	19.0	21.4	44.4
Public Service GR / Consumption Tax	<u>98.7</u>	<u>3.8</u>	<u>98.7</u>	<u>98.9</u>	<u>0.2</u>	<u>0.2</u>	<u>0.0</u>	<u>0.2</u>
Total Misc. Taxes and Other Revenues	\$ 718.5	(0.6) %	\$ 739.9	\$ 788.8	\$ 48.9	6.6 %	3.0 %	9.8 %
<b>TOTAL GF REVENUES</b>	<b>\$ 19,880.8</b>	<b>6.3 %</b>	<b>\$ 20,528.7</b>	<b>\$ 21,307.5</b>	<b>\$ 778.8</b>	<b>3.8 %</b>	<b>3.3 %</b>	<b>7.2 %</b>
<b>TRANSFERS</b>								
A.B.C. Profits	\$ 109.5	(0.9) %	\$ 115.6	\$ 130.7	\$ 15.1	13.0 %	5.6 %	19.4 %
Sales Tax (0.25%)	376.6	2.9	389.9	392.6	2.7	0.7	3.5	4.2
Transfers Per Appropriations Act	<u>142.2</u>	<u>(19.6)</u>	<u>133.6</u>	<u>134.7</u>	<u>1.1</u>	<u>0.8</u>	<u>(6.0)</u>	<u>(5.3)</u>
Total Transfers	\$ 628.3	(3.8) %	\$ 639.1	\$ 658.0	\$ 18.9	3.0 %	1.7 %	4.7 %
<b>TOTAL GENERAL FUND</b>	<b>\$ 20,509.0</b>	<b>6.0 %</b>	<b>\$ 21,167.8</b>	<b>\$ 21,965.5</b>	<b>\$ 797.7</b>	<b>3.8 %</b>	<b>3.2 %</b>	<b>7.1 %</b>

The Official forecast is based on the October 2018 IHS Markit US Standard outlook and the corresponding Virginia economic outlook developed by the Department of Taxation with recommendations from GACRE. It includes actions of the 2019 General Assembly - Chapter 854.

**The Chapter 2 and Official General Fund Forecast for Fiscal Year 2020**  
(Dollars in Millions)

May 3, 2019

	Fiscal Year 2020					2018-2020 Biennium		
	Chapter 2 Forecast	Official Forecast	Change	% Growth Over FY 19		Chapter 2 Forecast	Official Forecast	Change
				Chapter 2	Official			
<b>MAJOR TAX SOURCES</b>								
Corporate Income	\$ 926.4	\$ 1,030.8	\$ 104.4	1.6 %	9.3 %	\$ 1,838.4	\$ 1,974.2	\$ 135.8
Individual Income Tax:								
Gross	17,003.5	17,377.6	374.1	4.7	2.4	33,242.0	34,342.3	1,100.3
Withholding	13,368.5	13,539.7	171.2	3.9	4.2	26,238.7	26,527.5	288.8
Nonwithholding	3,635.0	3,837.9	202.9	7.9	(3.5)	7,003.3	7,814.7	811.4
Refunds	<u>(2,147.3)</u>	<u>(2,115.1)</u>	<u>32.2</u>	<u>4.5</u>	<u>21.7</u>	<u>(4,202.0)</u>	<u>(3,853.3)</u>	<u>348.7</u>
Net	14,856.2	15,262.5	406.3	4.7	0.2	29,040.0	30,489.0	1,449.0
Insurance Company Premiums	397.6	410.3	12.7	5.6	7.4	774.2	792.3	18.2
State Sales & Use Tax	3,625.2	3,729.5	104.3	2.2	4.2	7,172.5	7,309.9	137.4
Wills, Suits, Deeds, & Contract Fees	<u>407.2</u>	<u>368.6</u>	<u>(38.6)</u>	<u>0.0</u>	<u>(4.6)</u>	<u>814.4</u>	<u>755.1</u>	<u>(59.3)</u>
Total Major Tax Sources	\$ 20,212.6	\$ 20,801.7	\$ 589.1	4.0 %	1.4 %	\$ 39,639.5	\$ 41,320.4	\$ 1,680.9
<b>MISCELLANEOUS TAXES AND OTHER REVENUES</b>								
Alcoholic Beverage State Tax	\$ 205.9	\$ 207.5	\$ 1.6	4.3 %	3.7 %	\$ 403.4	\$ 407.6	\$ 4.2
Bank Franchise Tax	22.0	24.0	2.0	0.0	(19.2)	44.0	53.7	9.7
Beer & Beverage Excise Tax	42.3	40.9	(1.4)	0.0	0.6	84.6	81.6	(3.0)
Corporate Franchise & Charter Fees	51.2	53.7	2.5	0.0	(7.8)	102.4	111.9	9.5
Excess & Other Fees from Officers	(7.9)	(7.6)	0.3	0.0	(10.7)	(15.8)	(14.5)	1.3
Estate & Gifts	0.0	0.0	0.0	n/a	n/a	0.0	0.2	n/a
Institutional Revenues	2.1	2.6	0.5	0.0	(3.5)	4.2	5.3	1.1
Interest & Rents	73.0	74.8	1.8	9.8	(14.3)	139.5	162.1	22.6
Licenses & Permits	4.2	4.1	(0.1)	0.0	4.0	8.4	8.0	(0.4)
Miscellaneous Taxes and Penalties	240.3	232.7	(7.6)	2.3	(5.4)	475.2	478.6	3.4
Other Miscellaneous Revenues	32.5	23.6	(8.9)	(9.7)	(16.0)	68.5	51.7	(16.8)
Public Service GR / Consumption Tax	<u>98.0</u>	<u>98.7</u>	<u>0.7</u>	<u>0.0</u>	<u>(0.2)</u>	<u>196.0</u>	<u>197.6</u>	<u>1.6</u>
Total Misc. Taxes and Other Revenues	\$ 763.6	\$ 755.0	\$ (8.6)	2.2 %	(4.3) %	\$ 1,510.4	\$ 1,543.8	\$ 33.4
<b>TOTAL GF REVENUES</b>	<b>\$ 20,976.2</b>	<b>\$ 21,556.7</b>	<b>\$ 580.5</b>	<b>4.0 %</b>	<b>1.2 %</b>	<b>\$ 41,149.9</b>	<b>\$ 42,864.2</b>	<b>\$ 1,714.4</b>
<b>TRANSFERS</b>								
A.B.C. Profits	\$ 115.5	\$ 120.1	\$ 4.6	5.2 %	(8.1) %	\$ 225.3	\$ 250.8	\$ 25.5
Sales Tax (0.375%)	395.2	409.3	14.1	2.2	4.3	781.9	801.9	20.0
Transfers Per Appropriations Act	<u>120.3</u>	<u>106.4</u>	<u>(13.9)</u>	<u>(3.4)</u>	<u>(21.0)</u>	<u>244.8</u>	<u>241.1</u>	<u>(3.7)</u>
Total Transfers	\$ 631.0	\$ 635.8	\$ 4.8	1.6 %	(3.4) %	\$ 1,252.0	\$ 1,293.8	\$ 41.8
<b>TOTAL GENERAL FUND</b>	<b>\$ 21,607.2</b>	<b>\$ 22,192.5</b>	<b>\$ 585.3</b>	<b>3.9 %</b>	<b>1.0 %</b>	<b>\$ 42,401.9</b>	<b>\$ 44,158.0</b>	<b>\$ 1,756.2</b>

The Chapter 2 forecast is based on the October 2017 IHS Markit Standard Outlook and the corresponding Virginia state forecast developed by the Department of Taxation with recommendations from GACRE. It includes actions of the 2018 General Assembly Session.

The Official forecast is based on the October 2018 IHS Markit Standard Outlook and the corresponding Virginia state forecast developed by the Department of Taxation with recommendations GACRE. It includes actions of the 2019 General Assembly Session. Chapter 854.

**The Official and August Commonwealth Transportation Fund Update for Fiscal Year 2020**  
(Dollars in Millions)

August 1, 2019

	Fiscal Year 2019		Fiscal Year 2020					
	Actual	% Growth	Official Forecast	August Forecast	Change	% Growth over FY 19		
						Official	August	
<b>Highway Maintenance &amp; Operating Fund</b>								
Motor Fuels Tax	\$ 685.3	0.3 %	\$ 729.7	\$ 694.2	\$ (35.5)	6.5 %	1.3 %	
Road Tax	1.3	(63.9)	3.2	1.2	(2.0)	146.2	(8.6)	
Motor Vehicle Sales And Use Tax	735.0	3.4	692.2	739.4	47.2	(5.8)	0.6	
Motor Vehicle License Fees	243.6	2.7	239.0	246.0	7.0	(1.9)	1.0	
Retail Sales and Use Tax	301.4	3.0	312.7	313.2	0.5	3.7	3.9	
International Registration Plan	72.6	4.9	65.0	69.8	4.8	(10.5)	(3.8)	
Miscellaneous	19.0	(3.1)	17.9	19.0	1.1	(5.8)	0.0	
<b>Total State Taxes and Fees</b>	<b>\$ 2,058.2</b>	<b>2.1 %</b>	<b>\$ 2,059.7</b>	<b>\$ 2,082.8</b>	<b>\$ 23.1</b>	<b>0.1 %</b>	<b>1.2 %</b>	
<b>Transportation Trust Fund</b>								
Motor Fuels Tax	\$ 159.6	(0.3) %	\$ 173.3	\$ 161.7	\$ (11.6)	8.6 %	1.3 %	
Insurance Premiums Tax (1/3)	168.6	0.4	188.0	183.6	(4.4)	11.5	8.9	
Road Tax	8.5	6.3	8.7	25.9	17.2	2.4	204.7	
Motor Vehicle Sales And Use Tax	243.4	4.6	229.1	244.9	15.8	(5.9)	0.6	
Motor Vehicle License Fees	22.5	4.2	22.3	58.9	36.6	(0.9)	161.8	
Retail Sales and Use Tax	786.4	4.7	802.8	817.1	14.3	2.1	3.9	
Recordation Tax	47.1	(1.5)	43.6	47.1	3.5	(7.4)	0.0	
Interest Earnings	16.4	84.3	4.0	17.3	13.3	(75.6)	5.3	
Rental Tax	42.5	5.7	43.5	43.9	0.4	2.4	3.3	
Aviation Fuels Tax	2.0	0.0	2.0	2.1	0.1	0.0	5.3	
<b>Total State Taxes and Fees</b>	<b>\$ 1,497.0</b>	<b>3.9 %</b>	<b>\$ 1,517.3</b>	<b>\$ 1,602.4</b>	<b>\$ 85.1</b>	<b>1.4 %</b>	<b>7.0 %</b>	
<b>Total HMOF And TTF</b>								
Motor Fuels Tax	\$ 844.9	0.2 %	\$ 903.0	\$ 855.9	\$ (47.1)	6.9 %	1.3 %	
Insurance Premiums Tax (1/3)	168.6	0.4	188.0	183.6	(4.4)	11.5	8.9	
Road Tax	9.8	(15.5)	11.9	27.1	15.2	21.4	176.4	
Motor Vehicle Sales and Use Tax	978.4	3.7	921.3	984.3	63.0	(5.8)	0.6	
Motor Vehicle License Fees	266.1	2.8	261.3	304.9	43.6	(1.8)	14.6	
International Registration Plan	72.6	4.9	65.0	69.8	4.8	(10.5)	(3.8)	
Retail Sales and Use Tax	1,087.8	4.2	1,115.5	1,130.2	14.7	2.5	3.9	
Recordation Tax (3 cents)	47.8	(1.5)	43.6	47.1	3.5	(8.8)	(1.5)	
Interest Earnings	8.9	84.3	4.0	17.3	13.3	(55.1)	94.0	
Rental Tax	40.2	5.7	43.5	43.9	0.4	8.2	9.2	
Aviation Fuels Tax	2.0	0.0	2.0	2.1	0.1	0.0	5.3	
Miscellaneous	19.6	(3.1)	17.9	19.0	1.1	(8.7)	(3.1)	
<b>Total State Taxes and Fees</b>	<b>\$ 3,555.2</b>	<b>2.8 %</b>	<b>\$ 3,577.0</b>	<b>\$ 3,685.2</b>	<b>\$ 108.2</b>	<b>0.6 %</b>	<b>3.7 %</b>	
<b>Transfers per the Appropriations Act</b>								
Retail Sales Tax - AST (TTF)	0.0	n/a	0.0	0.0	0.0	n/a	n/a	
<b>Total Transfers</b>	<b>\$ 0.0</b>	<b>n/a</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>n/a</b>	<b>n/a %</b>	
<b>Total Transportation Fund</b>	<b>\$ 3,555.2</b>	<b>2.8</b>	<b>\$ 3,577.0</b>	<b>\$ 3,685.2</b>	<b>\$ 108.2</b>	<b>0.6 %</b>	<b>3.7 %</b>	

The Official forecast is based on the October 2018 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation.

The August forecast is based on FY19 actual collections and legislation from the 2019 session of the General Assembly.

## Growth in Total General Fund Revenues

### Fiscal Year 1961 - Fiscal Year 2020

(Nominal - Actual Dollars)

<u>FY</u>	<u>Total Revenues</u>	<u>Growth</u>	<u>FY</u>	<u>Total Revenues</u>	<u>Growth</u>
61	230,998,887	-	91	5,471,879,000	-0.4%
62	242,144,567	4.8%	92	5,623,213,000	2.8%
63	286,304,265	18.2%	93	6,133,637,000	9.1%
64	298,033,919	4.1%	94	6,503,368,000	6.0%
65	323,213,412	8.4%	95	6,881,145,000	5.8%
66	365,129,776	13.0%	96	7,356,110,000	6.9%
67	414,755,644	13.6%	97	7,949,327,000	8.1%
68	533,597,744	28.7%	98	8,773,520,000	10.4%
69	706,254,374	32.4%	99	9,702,747,000	10.6%
70	743,721,322	5.3%	00	10,788,482,000	11.2%
71	807,954,651	8.6%	01	11,105,275,000	2.9%
72	922,653,686	14.2%	02	10,678,954,000	-3.8%
73	1,054,469,443	14.3%	03	10,867,149,000	1.8%
74	1,168,562,871	10.8%	04	11,917,867,000	9.7%
75	1,303,178,893	11.5%	05	13,687,252,000	14.8%
76	1,428,421,157	9.6%	06	14,834,298,000	8.4%
77	1,636,301,819	14.6%	07	15,565,827,000	4.9%
78	1,923,085,084	17.5%	08	15,766,951,000	1.3%
79	2,115,211,522	10.0%	09	14,315,060,000	-9.2%
80	2,344,928,934	10.9%	10	14,219,477,000	-0.7%
81	2,579,663,941	10.0%	11	15,040,200,000	5.8%
82	2,796,458,741	8.4%	12	15,846,665,000	5.4%
83	2,975,687,935	6.4%	13	16,684,600,000	5.3%
84	3,397,710,261	14.2%	14	16,411,400,000	-1.6%
85	3,790,816,000	11.6%	15	17,735,600,000	8.1%
86	4,131,778,000	9.0%	16	18,040,100,000	1.7%
87	4,590,434,000	11.1%	17	18,695,100,000	3.6%
88	5,054,382,000	10.1%	18	19,880,800,000	6.3%
89	5,478,912,000	8.4%	19	21,307,500,000	7.2%
90	5,494,884,000	0.3%	20*	21,556,700,000	1.2%

\*Chapter 854 (excludes transfers)

Commonwealth of Virginia/Department of Accounts  
Summary Report on General Fund Revenue Collections  
For the Fiscal Years 2018 and 2019  
(Dollars in Thousands)

Revenue	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	FY 2019 Estimate	As a % of Gen Fund Rev	June FY 2019	June FY 2018	% Change	Year-To-Date FY 2019	Year-To-Date FY 2018	% Change	% Annual Growth Req By Est
<b>Individual Income Tax:</b>									
<b>Withholding</b>	\$13,013,900	63.39	\$1,131,490	\$1,124,022	0.7	\$12,987,834	\$12,540,508	3.6	3.8
<b>Tax Dues/Estimated Payments</b>	\$3,419,200	16.66	426,114	368,768	15.6	3,976,833	3,472,858	14.5	(1.5)
<b>Gross Individual Income Tax</b>	\$16,433,100	80.05	\$1,557,604	\$1,492,790	4.3	\$16,964,667	\$16,013,366	5.9	2.6
<b>Individual and Fiduciary Income (Refunds)</b>	(2,011,500)	(9.80)	(94,778)	(74,489)	27.2	(1,738,196)	(1,907,600)	(8.9)	5.4
<b>Net Individual Income Tax</b>	\$14,421,600	70.25	\$1,462,826	\$1,418,301	3.1	\$15,226,471	\$14,105,766	7.9	2.2
<b>Sales and Use Tax</b>	\$3,591,100	17.49	\$517,169	\$517,641	(0.1)	\$3,580,355	\$3,461,772	3.4	3.7
<b>Corporations Income Tax</b>	1,012,200	4.93	174,943	177,822	(1.6)	943,391	861,897	9.5	17.4
<b>Wills, Suits, Deeds, Contracts</b>	368,600	1.80	39,296	40,456	(2.9)	386,454	394,917	(2.1)	(6.7)
<b>Insurance Premiums</b>	395,300	1.93	128,459	120,354	6.7	382,018	337,947	13.0	17.0
<b>Interest Income (a)</b>	68,500	0.34	(15,809)	(6,651)	(137.7)	86,954	61,418	41.6	11.5
<b>Alcoholic Beverage Sales (b)</b>	240,000	1.17	51,389	47,644	7.9	240,777	231,836	3.9	3.5
<b>All Other Revenues</b>	431,400	2.09	82,267	83,130	(1.0)	461,103	425,222	8.4	1.5
<b>Total General Fund Revenues</b>	\$20,528,700	100.00	\$2,440,540	\$2,398,697	1.7	\$21,307,523	\$19,880,775	7.2	3.3

# Percentage is greater than or equal to 1,000%.

- (a) Interest Income for the April - June quarter attributable to nongeneral funds was transferred this month resulting in negative Interest Income for the month of June.
- (b) Includes Beer and Beverage Excise Tax and Alcoholic Beverage State Tax.



Commonwealth of Virginia/Department of Accounts  
General Fund Statement of Revenue Collections and Estimates  
For the Fiscal Years 2018 and 2019

(Dollars in Thousands)

Revenue	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	FY 2019 Estimate	As a % of Total Gen Fund Rev	FY 2019	FY 2018	% Change	FY 2019	FY 2018	% Change	% Annual Growth Req By Est
<b>Taxes:</b>									
Individual Income Tax - Withholding	\$13,013,900	63.39	\$1,131,490	\$1,124,022	0.7	\$12,987,834	\$12,540,508	3.6	3.8
Tax Dues/Estimated Payments	3,419,200	16.66	426,114	368,768	15.6	3,976,833	3,472,858	14.5	(1.5)
Gross Individual Income Tax	\$16,433,100	80.05	\$1,557,604	\$1,492,790	4.3	\$16,964,667	\$16,013,366	5.9	2.6
Individ and Fiduc Income (Refunds)	(2,011,500)	(9.80)	(94,778)	(74,489)	27.2	(1,738,196)	(1,907,600)	(8.9)	5.4
Net Individual Income Tax	\$14,421,600	70.25	\$1,462,826	\$1,418,301	3.1	\$15,226,471	\$14,105,766	7.9	2.2
Sales and Use Tax	3,591,100	17.49	517,169	517,641	(0.1)	3,580,355	3,461,772	3.4	3.7
Corporations Income	1,012,200	4.93	174,943	177,822	(1.6)	943,391	861,897	9.5	17.4
Public Service Corporations	98,700	0.48	11,949	8,796	35.8	98,890	98,672	0.2	0.0
Insurance Premiums	395,300	1.93	128,459	120,354	6.7	382,018	337,947	13.0	17.0
Alcoholic Beverage Excise	199,100	0.97	47,300	43,550	8.6	200,110	190,974	4.8	4.3
Beer and Beverage Excise	40,900	0.20	4,089	4,094	(0.1)	40,667	40,862	(0.5)	0.1
Wills, Suits, Deeds, Contracts	368,600	1.80	39,296	40,456	(2.9)	386,454	394,917	(2.1)	(6.7)
Inheritance, Gift, and Estate	0	0.00	0	0	-	191	932	(79.5)	(100.0)
Bank Franchise	24,000	0.12	1,688	11,629	(85.5)	29,698	23,954	24.0	0.2
Other Taxes	13,000	0.06	2,078	2,057	1.0	17,499	15,439	13.3	(15.8)
<b>Total Taxes</b>	<b>\$20,164,500</b>	<b>98.23</b>	<b>\$2,389,797</b>	<b>\$2,344,700</b>	<b>1.9</b>	<b>\$20,905,744</b>	<b>\$19,533,132</b>	<b>7.0</b>	<b>3.2</b>
<b>Rights and Privileges:</b>									
Licenses and Permits	\$4,100	0.02	\$397	\$405	(2.0)	\$3,944	\$4,006	(1.5)	2.3
Corp. Franchise and Charters	53,700	0.26	41,181	36,734	12.1	58,245	53,629	8.6	0.1
Fees for Misc. Privileges & Services	11,000	0.05	2,405	2,036	18.1	13,377	12,280	8.9	(10.4)
<b>Total Rights and Privileges</b>	<b>\$68,800</b>	<b>0.33</b>	<b>\$43,983</b>	<b>\$39,175</b>	<b>12.3</b>	<b>\$75,566</b>	<b>\$69,915</b>	<b>8.1</b>	<b>(1.6)</b>
<b>Other Revenues:</b>									
Sales of Property & Commodities	\$0	0.00	\$0	\$0	-	\$412	\$5,383	(92.3)	(100.0)
Assessmts & Rcpts for Support of Special Svcs	400	0.00	20	156	(87.2)	432	583	(25.9)	(31.4)
Institutional Revenue	2,600	0.01	17	46	(63.0)	2,694	2,758	(2.3)	(5.7)
Interest (a)	68,500	0.34	(15,809)	(6,651)	(137.7)	86,954	61,418	41.6	11.5
Dividends and Rent	300	0.00	52	(130)	140.0	342	324	5.6	(7.4)
Fines, Forfeitures & Fees	219,000	1.07	18,936	19,491	(2.8)	228,384	213,719	6.9	2.5
Other Revenue	4,800	0.02	3,517	1,877	87.4	6,284	(6,084)	203.3	178.9
Excess Fees	(7,600)	(0.04)	(689)	(678)	(1.6)	(6,866)	(7,658)	10.3	0.8
Private Donations, Gifts & Cont.	0	0.00	0	0	-	2	11	(81.8)	(100.0)
Cities, Counties, and Towns	7,400	0.04	716	711	0.7	7,575	7,274	4.1	1.7
<b>Total Other Revenues</b>	<b>\$295,400</b>	<b>1.44</b>	<b>\$6,760</b>	<b>\$14,822</b>	<b>(54.4)</b>	<b>\$326,213</b>	<b>\$277,728</b>	<b>17.5</b>	<b>6.4</b>
<b>Total General Fund Revenues</b>	<b>\$20,528,700</b>	<b>100.00</b>	<b>\$2,440,540</b>	<b>\$2,398,697</b>	<b>1.7</b>	<b>\$21,307,523</b>	<b>\$19,880,775</b>	<b>7.2</b>	<b>3.3</b>

# Percentage is greater than or equal to 1,000%.

(a) Interest Income for the April - June quarter attributable to nongeneral funds was transferred this month resulting in negative Interest Income for the month of June.

**Commonwealth of Virginia/Department of Lottery  
Summary Report on Lottery Collections  
For the Fiscal Years 2018 and 2019  
(Dollars in Thousands)**

	FY 2019 Estimate (a)	June			Year-To-Date			% Annual Growth Required By Estimate
		FY 2019 (b)	FY 2018	% Change	FY 2019 (b)	FY 2018	% Change	
Lottery Collections								
Total Lottery Sales	\$2,266,318	\$172,918	\$172,398	0.3	\$2,293,565	\$2,139,820	7.2	5.9
Other Income	1,041	111	(43)	358.1	2,255	950	137.4	9.6
Total Income	<u>\$2,267,359</u>	<u>\$173,029</u>	<u>\$172,355</u>	0.4	<u>\$2,295,820</u>	<u>\$2,140,770</u>	7.2	5.9
Less:								
Prize Expenses	\$1,398,356	\$129,034	\$119,474	8.0	\$1,428,573	\$1,317,832	8.4	6.9
Retailer Commissions	128,217	10,056	9,498	5.9	128,736	120,725	6.6	5.7
Operating Expenses	117,950	11,759	9,987	17.7	115,675	105,553	9.6	11.7
Total Expenses	<u>\$1,644,523</u>	<u>\$150,849</u>	<u>\$138,959</u>	8.6	<u>\$1,672,984</u>	<u>\$1,544,110</u>	8.3	7.2
Net Proceeds from Operations								
Net Lottery Ticket Profits	\$622,836	\$22,180	\$33,396	(33.6)	\$622,836	\$596,660	4.4	4.4
Prior Year Residual Profit Transfer	9,563	0	0	-	9,563	11,819	(19.1)	-
Available to Lottery Proceeds Fund	<u>\$632,399</u>	<u>\$22,180</u>	<u>\$33,396</u>	(33.6)	<u>\$632,399</u>	<u>\$608,479</u>	3.9	3.9

# Percentage is greater than or equal to 1,000%.

(a) Estimate established by Chapter 854, 2019 Virginia Acts of Assembly. The Prior Year Residual Profit Transfer of \$9,563,109 was made on August 13, 2018, and is included in the total revenue estimate.

(b) Amounts reported are accrual-based estimates (unaudited closing).

**Commonwealth of Virginia/Department of Accounts**  
**Highway Maintenance and Operating Fund and Transportation Trust Fund Revenues**  
**Summary Statement of Selected Revenue Estimates & Collections**  
**For the Fiscal Years 2018 and 2019**  
**(Dollars in Thousands)**

Revenue	FY 2019 Estimate	As a % of Total Fund	June			Year-To-Date			% Annual Growth Required By Estimate
			FY 2019	FY 2018	% Change	FY 2019	FY 2018	% Change	
<b>Motor Fuel Taxes</b>	\$905,500	17.11	\$83,910	\$111,226	(24.6)	\$856,589	\$857,217	(0.1)	5.6
<b>Priority Transportation Fund (PTF)</b>	168,655	3.19	0	0	-	168,655	168,018	0.4	0.4
<b>Motor Vehicle Sales and Use Tax</b>	958,200	18.10	84,289	88,357	(4.6)	1,020,938	983,809	3.8	(2.6)
<b>State Sales and Use Tax</b>	1,073,600	20.29	151,350	149,648	1.1	1,087,842	1,043,805	4.2	2.9
<b>Motor Vehicle License Fees</b>	258,600	4.88	23,258	23,090	0.7	266,068	258,821	2.8	(0.1)
<b>International Registration Plan</b>	67,600	1.28	5,065	3,640	39.1	72,588	69,202	4.9	(2.3)
<b>Recordation Tax</b>	43,600	0.82	4,759	4,894	(2.8)	47,146	47,758	(1.3)	(8.7)
<b>Interest Earnings</b>	3,800	0.07	4,749	2,694	76.3	16,361	8,880	84.2	(57.2)
<b>Misc. Taxes, Fees, and Revenues</b>	17,900	0.34	1,213	1,848	(34.4)	18,991	19,610	(3.2)	(8.7)
<b>Total State Taxes and Fees</b>	<u>\$3,497,455</u>	<u>66.08</u>	<u>\$358,593</u>	<u>\$385,397</u>	<u>(7.0)</u>	<u>\$3,555,178</u>	<u>\$3,457,120</u>	<u>2.8</u>	<u>1.2</u>

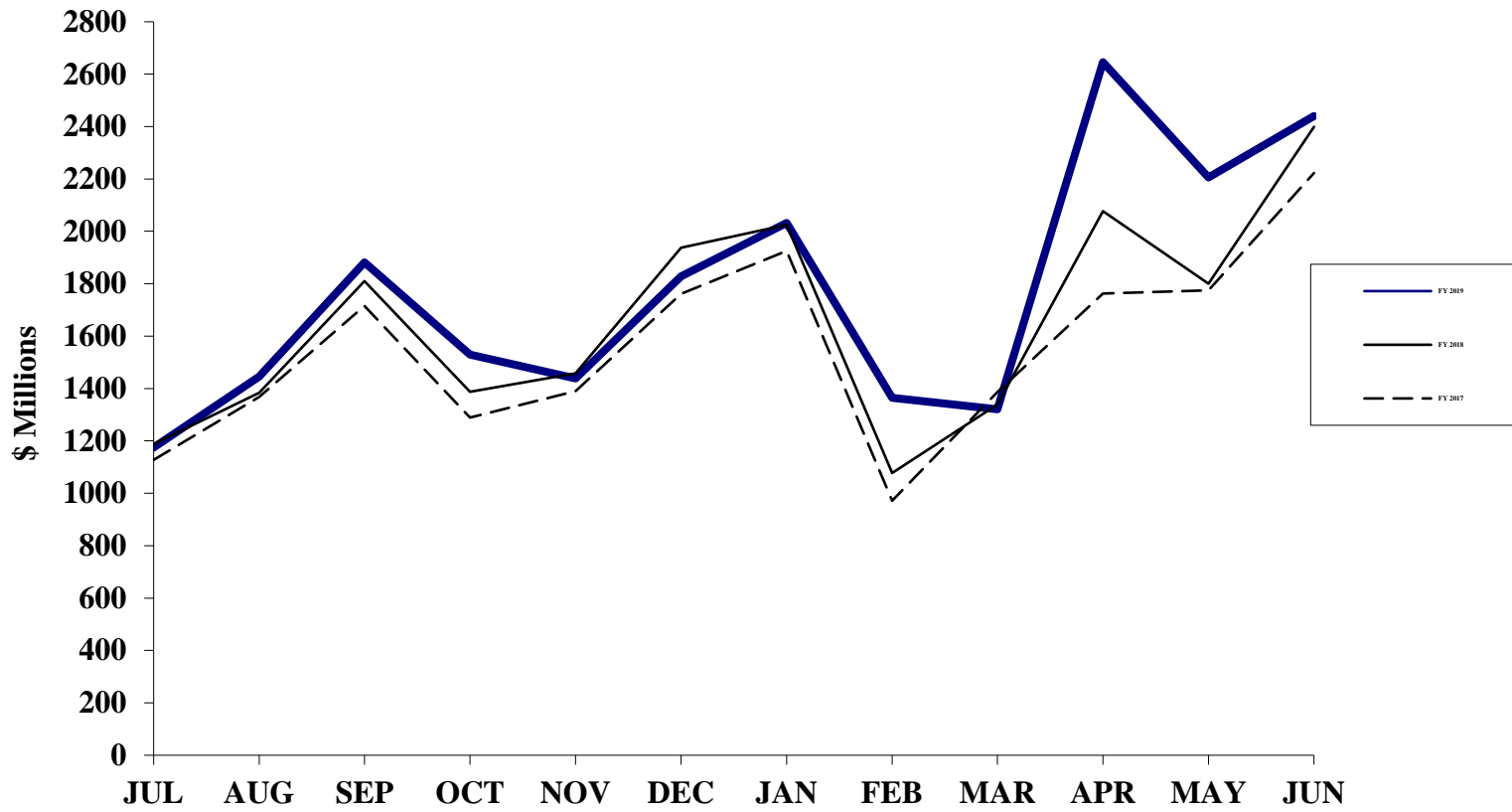
# Percentage is greater than or equal to 1,000%.

**Commonwealth of Virginia/Department of Accounts**  
**Highway Maintenance and Operating Fund and Transportation Trust Fund Revenues**  
**Statement of Revenue Estimates & Collections**  
**For the Fiscal Years 2018 and 2019**  
(Dollars in Thousands)

Revenue	FY 2019 Estimate	As a % of Total Fund	June			Year-To-Date			% Annual Growth Required By Est
			FY 2019	FY 2018	% Change	FY 2019	FY 2018	% Change	
<b>HIGHWAY MAINTENANCE AND OPERATING FUND:</b>									
Motor Fuel Taxes (Includes Road Tax)	\$723,900	13.68	\$64,408	\$84,988	(24.2)	\$686,566	\$687,044	(0.1)	5.4
Motor Vehicle Sales and Use Tax	688,300	13.00	56,729	63,581	(10.8)	735,025	710,973	3.4	(3.2)
State Sales and Use Tax	300,900	5.68	42,162	42,064	0.2	301,429	292,518	3.0	2.9
Motor Vehicle License Fees	236,600	4.47	21,774	22,046	(1.2)	243,563	237,197	2.7	(0.3)
International Registration Plan	67,600	1.28	5,065	3,640	39.1	72,588	69,202	4.9	(2.3)
Misc. Taxes, Fees, and Revenues	17,900	0.34	1,213	1,848	(34.4)	18,991	19,610	(3.2)	(8.7)
<b>Total State Taxes and Fees</b>	<b>\$2,035,200</b>	<b>38.45</b>	<b>\$191,351</b>	<b>\$218,167</b>	<b>(12.3)</b>	<b>\$2,058,162</b>	<b>\$2,016,544</b>	<b>2.1</b>	<b>0.9</b>
<b>Other Revenues:</b>									
Federal Grants and Contracts	\$0	0.00	\$2,490	\$2,465	1.0	\$31,356	\$40,001	(21.6)	(100.0)
Miscellaneous Revenues	275,947	5.21	20,566	266,885	(92.3)	310,741	298,598	4.1	(7.6)
Transfer (to) / from Transportation Trust Fund	181,785	3.44	(344)	29,539	(101.2)	181,441	141,923	27.8	28.1
<b>Total Highway Maintenance and Operating Fund</b>	<b>\$2,492,932</b>	<b>47.10</b>	<b>\$214,063</b>	<b>\$517,056</b>	<b>(58.6)</b>	<b>\$2,581,700</b>	<b>\$2,497,066</b>	<b>3.4</b>	<b>(0.2)</b>
<b>TRANSPORTATION TRUST FUND:</b>									
Motor Fuel Taxes (Includes Aviation & Road Taxes)	\$181,600	3.43	\$19,502	\$26,238	(25.7)	\$170,023	\$170,173	(0.1)	6.7
PTF Insurance Premiums Tax	168,655	3.19	0	0	-	168,655	168,018	0.4	0.4
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	269,900	5.10	27,560	24,776	11.2	285,913	272,836	4.8	(1.1)
State Sales and Use Tax	772,700	14.61	109,188	107,584	1.5	786,413	751,287	4.7	2.9
Motor Vehicle License Fees	22,000	0.41	1,484	1,044	42.1	22,505	21,624	4.1	1.7
Recordation Tax	43,600	0.82	4,759	4,894	(2.8)	47,146	47,758	(1.3)	(8.7)
Interest Earnings	3,800	0.07	4,749	2,694	76.3	16,361	8,880	84.2	(57.2)
<b>Total State Taxes and Fees</b>	<b>\$1,462,255</b>	<b>27.63</b>	<b>\$167,242</b>	<b>\$167,230</b>	<b>0.0</b>	<b>\$1,497,016</b>	<b>\$1,440,576</b>	<b>3.9</b>	<b>1.5</b>
<b>Other Revenues:</b>									
Federal Grants and Contracts	\$1,044,332	19.73	\$47,823	\$39,052	22.5	\$1,134,705	\$1,002,523	13.2	4.2
Receipts from Cities/Counties	150,600	2.85	49,902	25,721	94.0	301,361	246,089	22.5	(38.8)
Toll Revenues (Includes Route 28)	44,727	0.84	3,520	3,592	(2.0)	46,485	32,844	41.5	36.2
Miscellaneous Revenues	279,829	5.29	111,703	296,729	(62.4)	452,458	356,062	27.1	(21.4)
<b>Total Other Revenues</b>	<b>\$1,519,488</b>	<b>28.71</b>	<b>\$212,948</b>	<b>\$365,094</b>	<b>(41.7)</b>	<b>\$1,935,009</b>	<b>\$1,637,518</b>	<b>18.2</b>	<b>(7.2)</b>
Transfer (to) / from Highway Maintenance and Operating Fund	(\$181,785)	(3.44)	\$344	(\$29,539)	101.2	(\$181,441)	(\$141,923)	(27.8)	(28.1)
<b>Total Transportation Trust Fund</b>	<b>\$2,799,958</b>	<b>52.90</b>	<b>\$380,534</b>	<b>\$502,785</b>	<b>(24.3)</b>	<b>\$3,250,584</b>	<b>\$2,936,171</b>	<b>10.7</b>	<b>(4.6)</b>
<b>TOTAL HIGHWAY MAINTENANCE AND OPERATING AND TRANSPORTATION TRUST FUND</b>									
	<b>\$5,292,890</b>	<b>100.00</b>	<b>\$594,597</b>	<b>\$1,019,841</b>	<b>(41.7)</b>	<b>\$5,832,284</b>	<b>\$5,433,237</b>	<b>7.3</b>	<b>(2.6)</b>

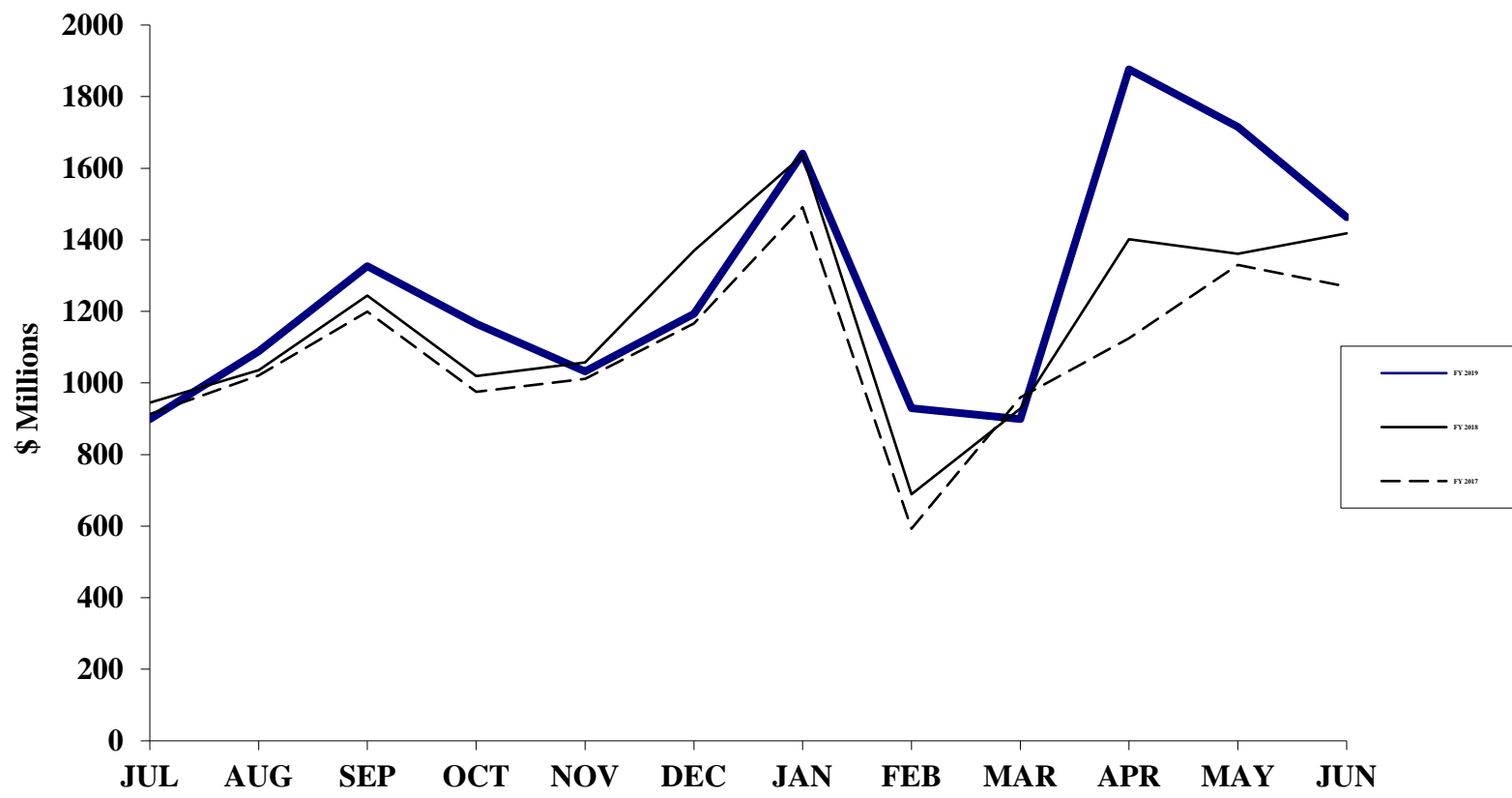
# Percentage is greater than or equal to 1,000%.

# Total General Fund Revenues



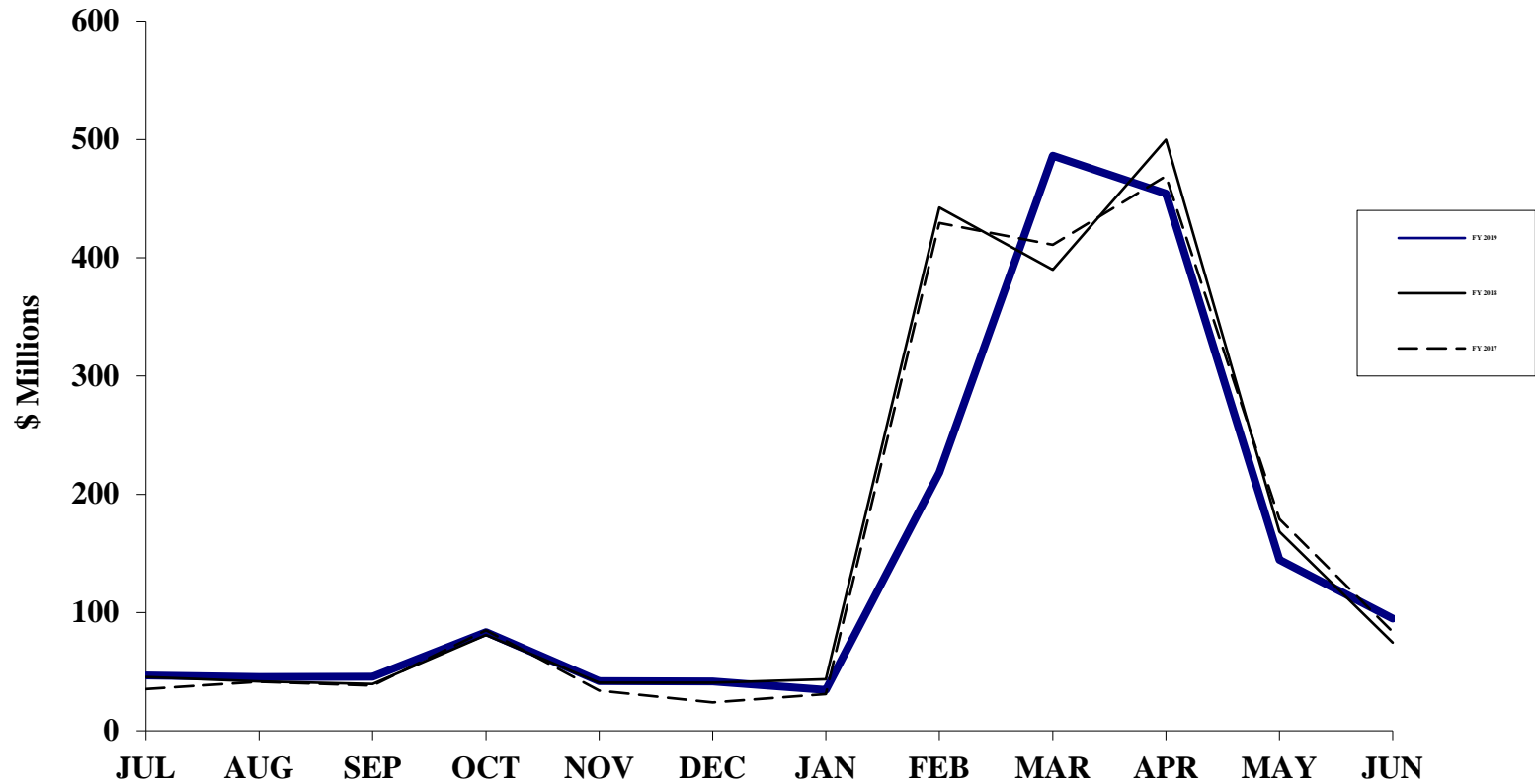
**FY 2017 Actual = \$18,695.1 Million**  
**FY 2018 Actual = \$19,880.8 Million**  
**FY 2019 Actual = \$21,307.5 Million**

# Net Individual Income Tax



**FY 2017 Actual = \$13,052.9 Million**  
**FY 2018 Actual = \$14,105.8 Million**  
**FY 2019 Actual = \$15,226.5 Million**

# Individual and Fiduciary Income Tax Refunds



**FY 2017 Actual = \$1,861.0 Million**  
**FY 2018 Actual = \$1,907.6 Million**  
**FY 2019 Actual = \$1,738.2 Million**

## DEPARTMENT OF THE TREASURY

General Account Investment Portfolio

Monthly Average Balances and Rates

For the Fiscal Year 2019

(Dollars in Millions)

MONTH	PRIMARY LIQUIDITY		EXTERNAL MANAGEMENT EXTENDED DURATION		COMPOSITE		TREASURY 1 YR. CONSTANT MATURITY <sup>1</sup>
	Avg. Balance	Yield	Avg. Balance	Annualized Total Return	Avg. Balance	Rate	Yield
<b>July, 2018</b>	\$5,881.1	2.12%	\$1,264.1	0.55%	\$7,145.2	1.84%	2.39%
<b>August</b>	\$5,225.6	2.12%	\$1,267.0	6.90%	\$6,492.6	3.05%	2.45%
<b>September</b>	\$5,777.9	2.17%	\$1,268.5	-4.34%	\$7,046.4	1.00%	2.56%
<b>October</b>	\$6,209.6	2.31%	\$1,264.2	-3.78%	\$7,473.8	1.28%	2.65%
<b>November</b>	\$6,034.2	2.40%	\$1,264.9	5.73%	\$7,299.1	2.98%	2.70%
<b>December</b>	\$5,761.6	2.47%	\$1,276.0	15.60%	\$7,037.6	4.85%	2.66%
<b>January, 2019</b>	\$6,148.6	2.56%	\$1,289.0	10.49%	\$7,437.6	3.93%	2.58%
<b>February</b>	\$6,465.8	2.60%	\$1,295.3	1.58%	\$7,761.1	2.43%	2.55%
<b>March</b>	\$6,197.2	2.58%	\$1,306.4	16.90%	\$7,503.6	5.07%	2.49%
<b>April</b>	\$6,695.7	2.57%	\$1,317.3	2.04%	\$8,013.0	2.48%	2.42%
<b>May</b>	\$7,556.9	2.53%	\$1,327.3	16.33%	\$8,884.2	4.59%	2.34%
<b>June</b>	\$7,583.2	2.51%	\$1,265.0	10.30%	\$8,848.2	3.62%	2.00%
<b>Year-to-Date Average</b>	\$6,294.8	2.42%	\$1,283.8	6.65%	\$7,578.6	3.14%	2.48%

▪ Performance on the extended duration portion of the General Account is reported on an annualized total return basis. Total return includes unrealized gains and losses, which in the short term can make returns more volatile. Over an extended time period the fluctuations average out and total return approaches the portfolio yield.

▪ Unaudited.

<sup>1</sup> Federal Reserve Bank H.15 Release.



**Commonwealth of Virginia/Department of Accounts  
Report on the Revenue Stabilization Fund  
For the Fiscal Year 2019**

<b>Month</b>	<b>Beginning Balance</b>	<b>Deposits</b>	<b>Withdrawals</b>	<b>Interest Allocated (A)</b>	<b>Ending Balance</b>
<b>July</b>	\$283,274,671	\$0	\$0	\$0	\$283,274,671
<b>August</b>	\$283,274,671	\$0	\$0	\$0	\$283,274,671
<b>September</b>	\$283,274,671	\$0	\$0	\$0	\$283,274,671
<b>October</b>	\$283,274,671	\$0	\$0	\$1,385,406	\$284,660,077
<b>November</b>	\$284,660,077	\$0	\$0	\$0	\$284,660,077
<b>December</b>	\$284,660,077	\$0	\$0	\$0	\$284,660,077
<b>January</b>	\$284,660,077	\$0	\$0	\$1,230,090	\$285,890,167
<b>February</b>	\$285,890,167	\$0	\$0	\$0	\$285,890,167
<b>March</b>	\$285,890,167	\$0	\$0	\$0	\$285,890,167
<b>April</b>	\$285,890,167	\$0	\$0	\$1,697,040	\$287,587,207
<b>May</b>	\$287,587,207	\$0	\$0	\$0	\$287,587,207
<b>June</b>	\$287,587,207	\$0	\$0	\$1,714,356	\$289,301,563

Notes: (A) Interest is earned monthly but credited to the Revenue Stabilization Fund on a quarterly basis.

Commonwealth of Virginia/Department of Accounts  
Summary Report on General Fund Revenue Collections  
For the Fiscal Years 2019 and 2020  
(Dollars in Thousands)

Revenue	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	FY 2020 Estimate	As a % of Gen Fund Rev	FY 2020	July FY 2019	% Change	Year-To-Date FY 2020	FY 2019	% Change	% Annual Growth Req By Est
<b>Individual Income Tax:</b>									
<b>Withholding</b>	\$13,539,700	62.81	\$1,063,356	\$891,367	19.3	\$1,063,356	\$891,367	19.3	4.2
<b>Tax Dues/Estimated Payments</b>	\$3,837,900	17.80	67,956	54,072	25.7	67,956	54,072	25.7	(3.5)
<b>Gross Individual Income Tax</b>	\$17,377,600	80.61	\$1,131,312	\$945,439	19.7	\$1,131,312	\$945,439	19.7	2.4
<b>Individual and Fiduciary Income (Refunds)</b>	(2,115,100)	(9.81)	(48,362)	(46,760)	3.4	(48,362)	(46,760)	3.4	21.7
<b>Net Individual Income Tax</b>	\$15,262,500	70.80	\$1,082,950	\$898,679	20.5	\$1,082,950	\$898,679	20.5	0.2
<b>Sales and Use Tax</b>	\$3,729,500	17.30	\$144,849	\$150,612	(3.8)	\$144,849	\$150,612	(3.8)	4.2
<b>Corporations Income Tax</b>	1,030,800	4.78	36,629	39,050	(6.2)	36,629	39,050	(6.2)	9.3
<b>Wills, Suits, Deeds, Contracts</b>	368,600	1.71	43,968	34,224	28.5	43,968	34,224	28.5	(4.6)
<b>Insurance Premiums</b>	410,300	1.90	0	0	-	0	0	-	7.4
<b>Interest Income (a)</b>	74,500	0.36	24,321	18,723	29.9	24,321	18,723	29.9	(14.3)
<b>Alcoholic Beverage Sales (b)</b>	248,400	1.15	3,665	3,829	(4.3)	3,665	3,829	(4.3)	3.2
<b>All Other Revenues</b>	432,100	2.00	26,617	29,580	(10.0)	26,617	29,580	(10.0)	(6.3)
<b>Total General Fund Revenues</b>	\$21,556,700	100.00	\$1,362,999	\$1,174,697	16.0	\$1,362,999	\$1,174,697	16.0	1.2

# Percentage is greater than or equal to 1,000%.

- (a) Interest is earned monthly in the General Fund and credited to nongeneral funds on a quarterly basis. This will occur in the months of October, January, April and June.
- (b) Includes Beer and Beverage Excise Tax and Alcoholic Beverage State Tax.

Commonwealth of Virginia/Department of Accounts  
General Fund Statement of Revenue Collections and Estimates  
For the Fiscal Years 2019 and 2020  
(Dollars in Thousands)

Revenue	(1)	(2)	(3) (4) (5)			(6) (7) (8)			(9)
	FY 2020 Estimate	As a % of Total Gen Fund Rev	FY 2020	FY 2019	% Change	FY 2020	FY 2019	% Change	% Annual Growth Req By Est
<b>Taxes:</b>									
Individual Income Tax - Withholding	\$13,539,700	62.81	\$1,063,356	\$891,367	19.3	\$1,063,356	\$891,367	19.3	4.2
Tax Dues/Estimated Payments	3,837,900	17.80	67,956	54,072	25.7	67,956	54,072	25.7	(3.5)
Gross Individual Income Tax	\$17,377,600	80.61	\$1,131,312	\$945,439	19.7	\$1,131,312	\$945,439	19.7	2.4
Individ and Fiduc Income (Refunds)	(2,115,100)	(9.81)	(48,362)	(46,760)	3.4	(48,362)	(46,760)	3.4	21.7
Net Individual Income Tax	\$15,262,500	70.80	\$1,082,950	\$898,679	20.5	\$1,082,950	\$898,679	20.5	0.2
Sales and Use Tax	3,729,500	17.30	144,849	150,612	(3.8)	144,849	150,612	(3.8)	4.2
Corporations Income	1,030,800	4.78	36,629	39,050	(6.2)	36,629	39,050	(6.2)	9.3
Public Service Corporations	98,700	0.46	6,646	6,951	(4.4)	6,646	6,951	(4.4)	(0.2)
Insurance Premiums	410,300	1.90	0	0	-	0	0	-	7.4
Alcoholic Beverage Excise	207,500	0.96	0	0	-	0	0	-	3.7
Beer and Beverage Excise	40,900	0.19	3,665	3,829	(4.3)	3,665	3,829	(4.3)	0.6
Wills, Suits, Deeds, Contracts	368,600	1.71	43,968	34,224	28.5	43,968	34,224	28.5	(4.6)
Inheritance, Gift, and Estate	0	0.00	0	0	-	0	0	-	(100.0)
Bank Franchise	24,000	0.11	2	0	-	2	0	-	(19.2)
Other Taxes	13,700	0.07	(933)	2,169	(143.0)	(933)	2,169	(143.0)	(21.7)
<b>Total Taxes</b>	<b>\$21,186,500</b>	<b>98.28</b>	<b>\$1,317,776</b>	<b>\$1,135,514</b>	<b>16.1</b>	<b>\$1,317,776</b>	<b>\$1,135,514</b>	<b>16.1</b>	<b>1.3</b>
<b>Rights and Privileges:</b>									
Licenses and Permits	\$4,100	0.02	\$240	\$202	18.8	\$240	\$202	18.8	4.0
Corp. Franchise and Charters	53,700	0.25	550	539	2.0	550	539	2.0	(7.8)
Fees for Misc. Privileges & Services	11,000	0.05	403	626	(35.6)	403	626	(35.6)	(17.8)
<b>Total Rights and Privileges</b>	<b>\$68,800</b>	<b>0.32</b>	<b>\$1,193</b>	<b>\$1,367</b>	<b>(12.7)</b>	<b>\$1,193</b>	<b>\$1,367</b>	<b>(12.7)</b>	<b>(9.0)</b>
<b>Other Revenues:</b>									
Sales of Property & Commodities	\$0	0.00	\$0	\$0	-	\$0	\$0	-	(100.0)
Assessmts & Rcpts for Support of Special Svcs	400	0.00	18	25	(28.0)	18	25	(28.0)	(7.4)
Institutional Revenue	2,600	0.01	184	167	10.2	184	167	10.2	(3.5)
Interest (a)	74,500	0.36	24,321	18,723	29.9	24,321	18,723	29.9	(14.3)
Dividends and Rent	300	0.00	25	13	92.3	25	13	92.3	(12.3)
Fines, Forfeitures & Fees	219,000	1.02	18,353	17,915	2.4	18,353	17,915	2.4	(4.1)
Other Revenue	4,800	0.02	639	1,132	(43.6)	639	1,132	(43.6)	(23.6)
Excess Fees	(7,600)	(0.04)	0	(669)	100.0	0	(669)	100.0	(10.7)
Private Donations, Gifts & Cont.	0	0.00	0	0	-	0	0	-	(100.0)
Cities, Counties, and Towns	7,400	0.03	490	510	(3.9)	490	510	(3.9)	(2.3)
<b>Total Other Revenues</b>	<b>\$301,400</b>	<b>1.40</b>	<b>\$44,030</b>	<b>\$37,816</b>	<b>16.4</b>	<b>\$44,030</b>	<b>\$37,816</b>	<b>16.4</b>	<b>(7.6)</b>
<b>Total General Fund Revenues</b>	<b>\$21,556,700</b>	<b>100.00</b>	<b>\$1,362,999</b>	<b>\$1,174,697</b>	<b>16.0</b>	<b>\$1,362,999</b>	<b>\$1,174,697</b>	<b>16.0</b>	<b>1.2</b>

# Percentage is greater than or equal to 1,000%.

(a) Interest is earned monthly in the General Fund and credited to nongeneral funds on a quarterly basis. This will occur in the months of October, January, April and June.

**Commonwealth of Virginia/Department of Lottery**  
**Summary Report on Lottery Collections**  
**For the Fiscal Years 2019 and 2020**  
**(Dollars in Thousands)**

	FY 2020 Estimate	July			Year-To-Date			% Annual Growth Required By Estimate
		(a)	(b)	(c)	(d)	(e)	(f)	
		FY 2020	FY 2019	% Change	FY 2020	FY 2019	% Change	
Lottery Collections								
Total Lottery Sales	\$2,308,598	\$168,239	\$180,468	(6.8)	\$168,239	\$180,468	(6.8)	0.7
Other Income	1,500	70	78	(10.3)	70	78	(10.3)	(33.5)
Total Income	<u>\$2,310,098</u>	<u>\$168,309</u>	<u>\$180,546</u>	<u>(6.8)</u>	<u>\$168,309</u>	<u>\$180,546</u>	<u>(6.8)</u>	<u>0.6</u>
Less:								
Prize Expenses	\$1,425,095	\$97,771	\$113,758	(14.1)	\$97,771	\$113,758	(14.1)	(0.2)
Retailer Commissions	129,920	9,198	10,041	(8.4)	9,198	10,041	(8.4)	0.9
Operating Expenses	126,252	9,066	8,750	3.6	9,066	8,750	3.6	9.1
Total Expenses	<u>\$1,681,267</u>	<u>\$116,035</u>	<u>\$132,549</u>	<u>(12.5)</u>	<u>\$116,035</u>	<u>\$132,549</u>	<u>(12.5)</u>	<u>0.5</u>
Net Proceeds from Operations								
Net Lottery Ticket Profits	\$628,831	\$52,274	\$47,997	8.9	\$52,274	\$47,997	8.9	1.0
Prior Year Residual Profit Transfer	0	0	0	-	0	0	-	-
Available to Lottery Proceeds Fund	<u>\$628,831</u>	<u>\$52,274</u>	<u>\$47,997</u>	<u>8.9</u>	<u>\$52,274</u>	<u>\$47,997</u>	<u>8.9</u>	<u>(0.6)</u>

# Percentage is greater than or equal to 1,000%.

- (a) Estimate established by Chapter 854, 2019 Virginia Acts of Assembly. The Prior Year Residual Profit Transfer will be reflected after the final APA audit is complete and the transfer is made in August. The FY 2020 estimate will be revisited as part of the state revenue forecast process and will include an updated estimate of FY 2020 sales and profits, as well as the residual transfer from FY 2019.
- (b) Amounts reported are accrual-based estimates (unaudited closing).
- (c) The current year figures on this chart, including growth percentages, are not an indicator of the probable outcome for the fiscal year. Lottery revenues can have dramatic swings up and down month to month depending on the lotto jackpots, prize expense, and game related administrative expenses.

**Commonwealth of Virginia/Department of Accounts**  
**Highway Maintenance and Operating Fund and Transportation Trust Fund Revenues**  
**Summary Statement of Selected Revenue Estimates & Collections**  
**For the Fiscal Years 2019 and 2020**  
**(Dollars in Thousands)**

Revenue	FY 2020 Estimate	As a % of Total Fund	July			Year-To-Date			% Annual Growth Required By Estimate
			FY 2020	FY 2019	% Change	FY 2020	FY 2019	% Change	
<b>Motor Fuel Taxes</b>	\$934,100	17.29	\$66,016	\$41,901	57.6	\$66,016	\$41,901	57.6	9.0
<b>Priority Transportation Fund (PTF)</b>	183,558	3.40	6,270	5,093	23.1	6,270	5,093	23.1	8.8
<b>Motor Vehicle Sales and Use Tax</b>	964,800	17.86	98,424	90,728	8.5	98,424	90,728	8.5	(5.5)
<b>State Sales and Use Tax</b>	1,115,500	20.65	43,752	45,815	(4.5)	43,752	45,815	(4.5)	2.5
<b>Motor Vehicle License Fees</b>	297,900	5.51	26,590	23,904	11.2	26,590	23,904	11.2	12.0
<b>International Registration Plan</b>	65,000	1.20	7,466	6,681	11.7	7,466	6,681	11.7	(10.5)
<b>Recordation Tax</b>	43,500	0.81	5,320	4,521	17.7	5,320	4,521	17.7	(7.7)
<b>Interest Earnings</b>	4,000	0.07	0	0	-	0	0	-	(75.6)
<b>Misc. Taxes, Fees, and Revenues</b>	17,900	0.33	1,198	1,732	(30.8)	1,198	1,732	(30.8)	(5.7)
<b>Total State Taxes and Fees</b>	<u>\$3,626,258</u>	<u>67.12</u>	<u>\$255,036</u>	<u>\$220,375</u>	<u>15.7</u>	<u>\$255,036</u>	<u>\$220,375</u>	<u>15.7</u>	<u>2.0</u>

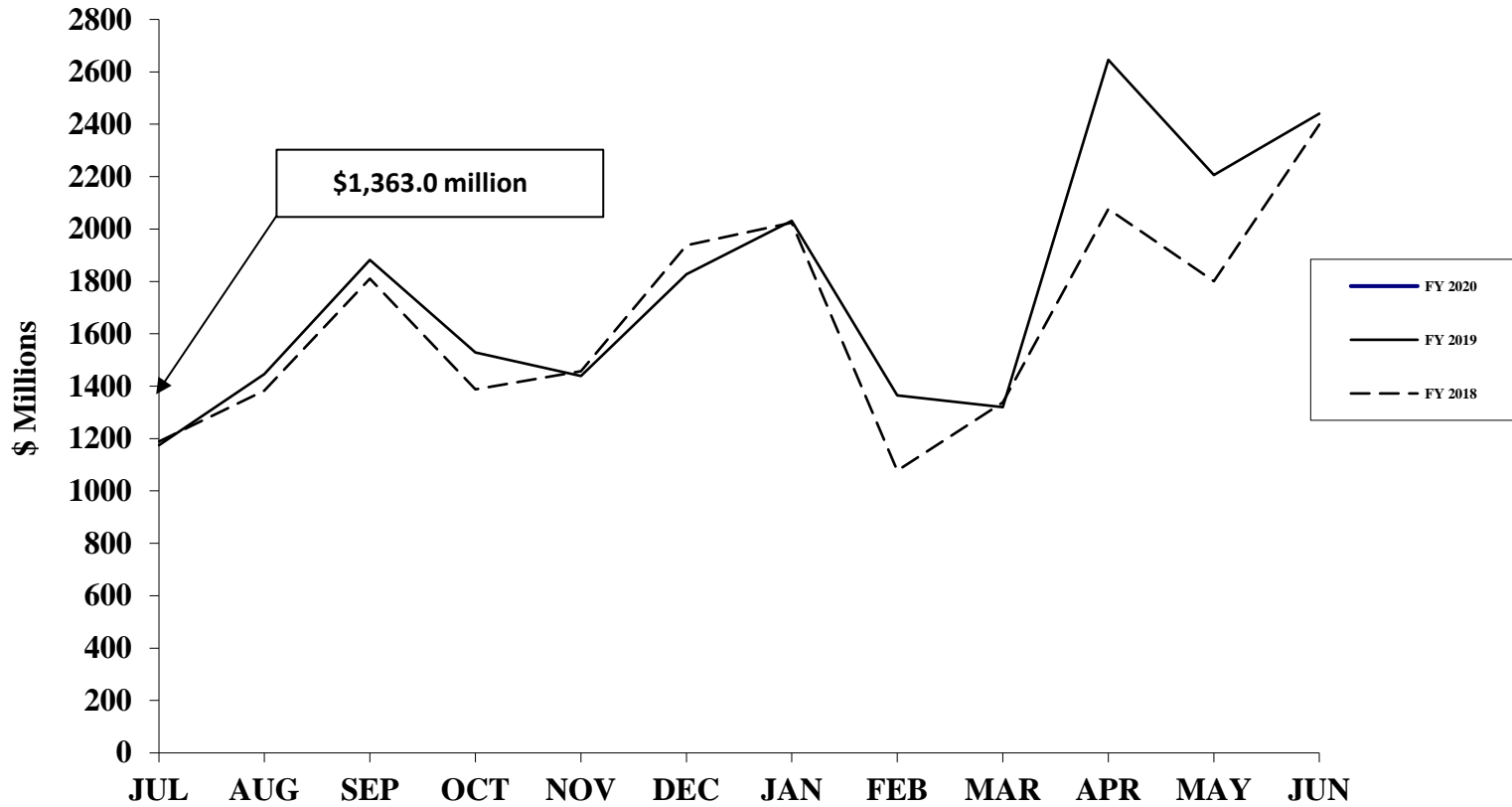
# Percentage is greater than or equal to 1,000%.

**Commonwealth of Virginia/Department of Accounts**  
**Highway Maintenance and Operating Fund and Transportation Trust Fund Revenues**  
**Statement of Revenue Estimates & Collections**  
**For the Fiscal Years 2019 and 2020**  
(Dollars in Thousands)

Revenue	FY 2020 Estimate	As a % of Total Fund	July			Year-To-Date			% Annual Growth Required By Est
			FY 2020	FY 2019	% Change	FY 2020	FY 2019	% Change	
<b>HIGHWAY MAINTENANCE AND OPERATING FUND:</b>									
Motor Fuel Taxes (Includes Road Tax)	\$732,900	13.57	\$55,751	\$37,868	47.2	\$55,751	\$37,868	47.2	6.7
Motor Vehicle Sales and Use Tax	692,200	12.81	73,512	66,434	10.7	73,512	66,434	10.7	(5.8)
State Sales and Use Tax	312,700	5.79	12,608	13,193	(4.4)	12,608	13,193	(4.4)	3.7
Motor Vehicle License Fees	239,000	4.42	23,521	21,904	7.4	23,521	21,904	7.4	(1.9)
International Registration Plan	65,000	1.20	7,466	6,681	11.7	7,466	6,681	11.7	(10.5)
Misc. Taxes, Fees, and Revenues	17,900	0.33	1,198	1,732	(30.8)	1,198	1,732	(30.8)	(5.7)
<b>Total State Taxes and Fees</b>	<b>\$2,059,700</b>	<b>38.12</b>	<b>\$174,056</b>	<b>\$147,812</b>	<b>17.8</b>	<b>\$174,056</b>	<b>\$147,812</b>	<b>17.8</b>	<b>0.1</b>
<b>Other Revenues:</b>									
Federal Grants and Contracts	\$0	0.00	\$1,239	\$1,761	(29.6)	\$1,239	\$1,761	(29.6)	(100.0)
Miscellaneous Revenues	366,960	6.79	249,167	91,516	172.3	249,167	91,516	172.3	18.1
Transfer (to) / from Transportation Trust Fund	178,826	3.32	0	0	-	0	0	-	(1.4)
<b>Total Highway Maintenance and Operating Fund</b>	<b>\$2,605,486</b>	<b>48.23</b>	<b>\$424,462</b>	<b>\$241,089</b>	<b>76.1</b>	<b>\$424,462</b>	<b>\$241,089</b>	<b>76.1</b>	<b>0.9</b>
<b>TRANSPORTATION TRUST FUND:</b>									
Motor Fuel Taxes (Includes Aviation & Road Taxes)	\$201,200	3.72	\$10,265	\$4,033	154.5	\$10,265	\$4,033	154.5	18.3
PTF Insurance Premiums Tax	183,558	3.40	6,270	5,093	23.1	6,270	5,093	23.1	8.8
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	272,600	5.05	24,912	24,294	2.5	24,912	24,294	2.5	(4.7)
State Sales and Use Tax	802,800	14.86	31,144	32,622	(4.5)	31,144	32,622	(4.5)	2.1
Motor Vehicle License Fees	58,900	1.09	3,069	2,000	53.5	3,069	2,000	53.5	161.7
Recordation Tax	43,500	0.81	5,320	4,521	17.7	5,320	4,521	17.7	(7.7)
Interest Earnings	4,000	0.07	0	0	-	0	0	-	(75.6)
<b>Total State Taxes and Fees</b>	<b>\$1,566,558</b>	<b>29.00</b>	<b>\$80,980</b>	<b>\$72,563</b>	<b>11.6</b>	<b>\$80,980</b>	<b>\$72,563</b>	<b>11.6</b>	<b>4.6</b>
<b>Other Revenues:</b>									
Federal Grants and Contracts	\$1,175,378	21.76	\$410,826	\$126,229	225.5	\$410,826	\$126,229	225.5	3.6
Receipts from Cities/Counties	170,551	3.16	23,085	(2,507)	#	23,085	(2,507)	#	(43.4)
Toll Revenues (Includes Route 28)	57,645	1.06	3,032	2,844	6.6	3,032	2,844	6.6	24.0
Miscellaneous Revenues	5,910	0.11	20,147	979	#	20,147	979	#	(98.7)
<b>Total Other Revenues</b>	<b>\$1,409,484</b>	<b>26.09</b>	<b>\$457,090</b>	<b>\$127,545</b>	<b>258.4</b>	<b>\$457,090</b>	<b>\$127,545</b>	<b>258.4</b>	<b>(27.2)</b>
<b>Transfer (to) / from Highway Maintenance and Operating Fund</b>									
Maintenance and Operating Fund	(\$178,826)	(3.32)	\$0	\$0	-	\$0	\$0	-	1.4
<b>Total Transportation Trust Fund</b>	<b>\$2,797,216</b>	<b>51.77</b>	<b>\$538,070</b>	<b>\$200,108</b>	<b>168.9</b>	<b>\$538,070</b>	<b>\$200,108</b>	<b>168.9</b>	<b>(13.9)</b>
<b>TOTAL HIGHWAY MAINTENANCE AND OPERATING AND TRANSPORTATION TRUST FUND</b>									
<b>Total</b>	<b>\$5,402,702</b>	<b>100.00</b>	<b>\$962,532</b>	<b>\$441,197</b>	<b>118.2</b>	<b>\$962,532</b>	<b>\$441,197</b>	<b>118.2</b>	<b>(7.4)</b>

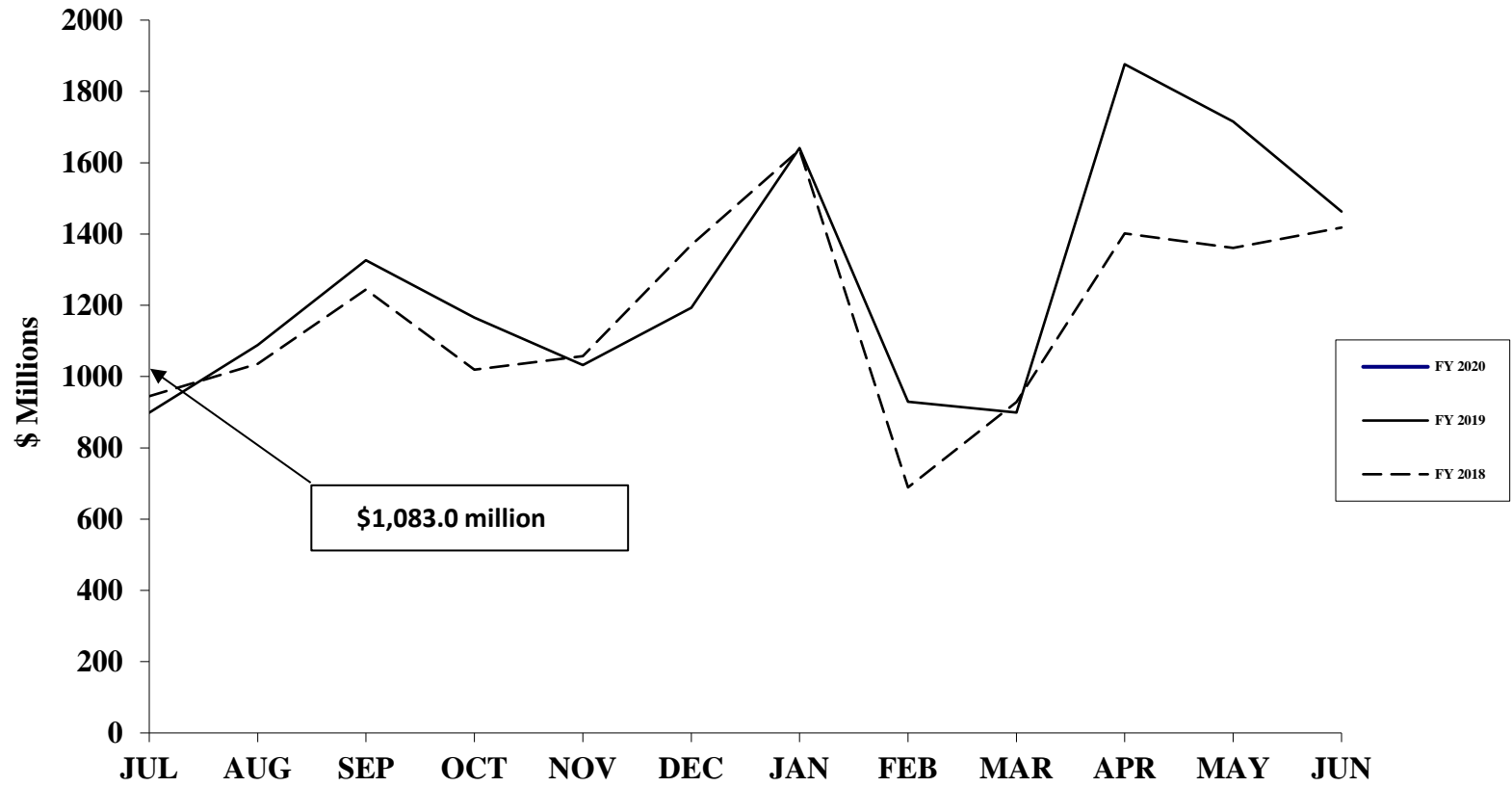
# Percentage is greater than or equal to 1,000%.

# Total General Fund Revenues



**FY 2018 Actual = \$19,880.8 Million**  
**FY 2019 Actual = \$21,307.5 Million**  
**FY 2020 Estimate = \$21,556.7 Million**

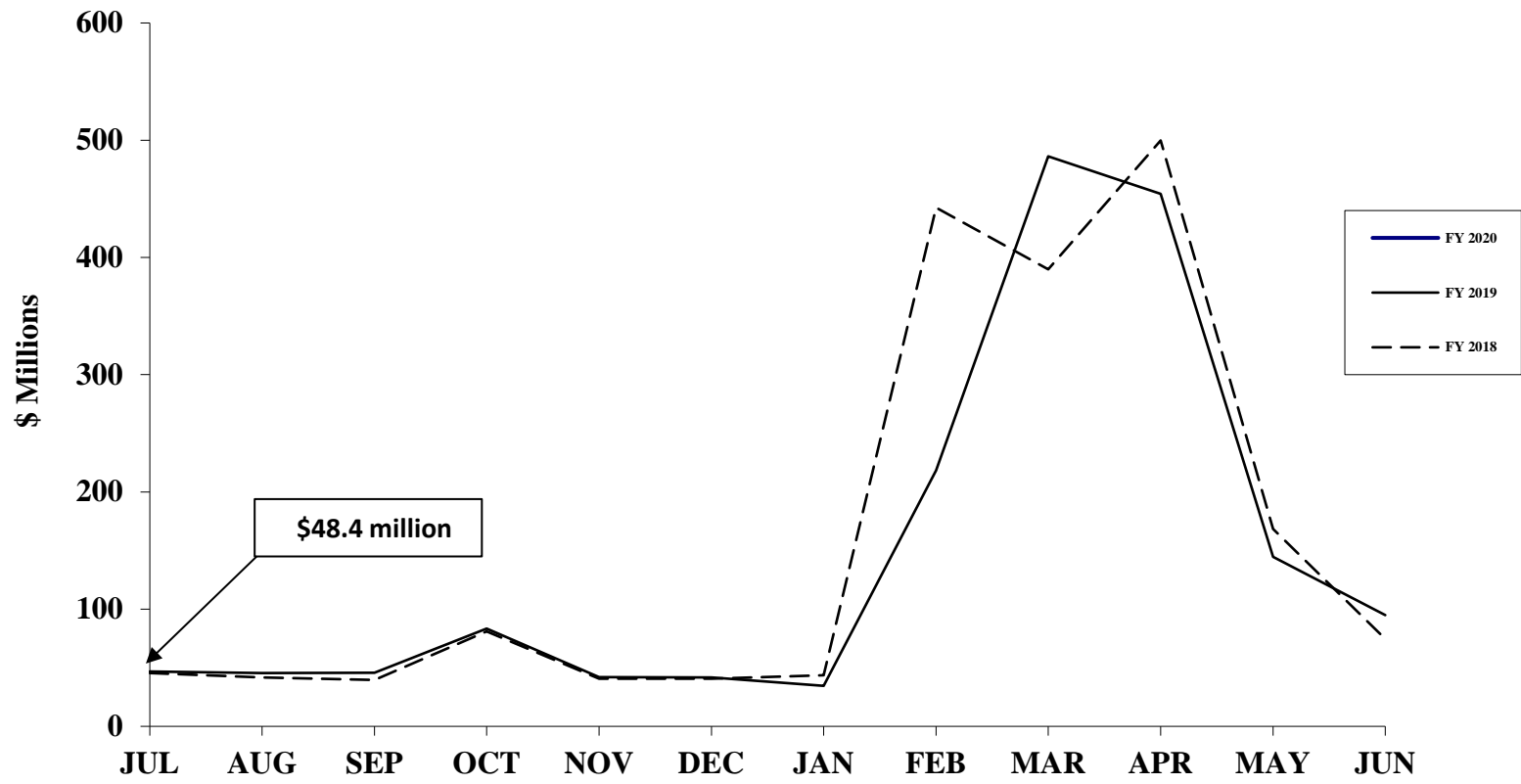
# Net Individual Income Tax



**FY 2018 Actual = \$14,105.8 Million**  
**FY 2019 Actual = \$15,226.5 Million**  
**FY 2020 Estimate = \$15,262.5 Million**



# Individual and Fiduciary Income Tax Refunds



**FY 2018 Actual = \$1,907.6 Million**  
**FY 2019 Actual = \$1,738.2 Million**  
**FY 2020 Estimate = \$2,115.1 Million**

## DEPARTMENT OF THE TREASURY

General Account Investment Portfolio

Monthly Average Balances and Rates

For the Fiscal Year 2020

(Dollars in Millions)

MONTH	PRIMARY LIQUIDITY		EXTERNAL MANAGEMENT EXTENDED DURATION		COMPOSITE		TREASURY 1 YR. CONSTANT MATURITY <sup>1</sup>
	Avg. Balance	Yield	Avg. Balance	Annualized Total Return	Avg. Balance	Rate	Yield
July, 2019	\$8,041.1	2.55%	\$1,349.7	1.99%	\$9,390.8	2.47%	1.96%
August							
September							
October							
November							
December							
January, 2020							
February							
March							
April							
May							
June							
<b>Year-to-Date Average</b>	\$8,041.1	2.55%	\$1,349.7	1.99%	\$9,390.8	2.47%	1.96%

▪ Performance on the extended duration portion of the General Account is reported on an annualized total return basis. Total return includes unrealized gains and losses, which in the short term can make returns more volatile. Over an extended time period the fluctuations average out and total return approaches the portfolio yield.

▪ Unaudited.

<sup>1</sup> Federal Reserve Bank H.15 Release.

**Commonwealth of Virginia/Department of Accounts  
Report on the Revenue Stabilization Fund  
For the Fiscal Year 2020**

<b>Month</b>	<b>Beginning Balance</b>	<b>Deposits</b>	<b>Withdrawals</b>	<b>Interest Allocated (A)</b>	<b>Ending Balance</b>
July	\$289,301,563	\$0	\$0	\$0	\$289,301,563
August					
September					
October					
November					
December					
January					
February					
March					
April					
May					
June					

Notes: (A) Interest is earned monthly but credited to the Revenue Stabilization Fund on a quarterly basis.

# Virginia Taxpayer Relief Fund Estimate for Fiscal Year 2019

Prepared for the Virginia Department  
of Taxation

August 2019



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Disclaimer: The accompanying analyses were prepared for the use of the Virginia Department of Taxation. The analyses conducted in this report constitute neither an examination nor a compilation of prospective financial statements nor the application of agreed-upon procedures thereto in accordance with the attestation standards established by the American Institute of Certified Public Accountants ("AICPA"). Accordingly, EY does not express an opinion on or offer any other assurances as to whether the analyses are presented in conformity with AICPA presentation guidelines or as to whether the underlying assumptions provide a reasonable basis for the analyses. The analyses incorporate estimation techniques and reasonable modeling assumptions to overcome data limitations, and such techniques and assumptions may cause the estimates presented in this analysis to differ from the actual results that would be calculated had additional information been available. EY has no responsibility to update or otherwise revise the analyses for events and circumstances occurring after the date of our report unless subsequently engaged to do so.

# Virginia Taxpayer Relief Fund Estimate for Fiscal Year 2019

## I. Overview

Virginia 2019 House Bill 2529 and Senate Bill 1372 established the Taxpayer Relief Fund (TRF), advanced Virginia's conformity to the Internal Revenue Code (IRC), and made several Virginia tax policy changes. As a result of this legislation, Virginia tax revenues generated from the individual tax reform provisions of the Tax Cut and Jobs Act (TCJA) for Fiscal Year 2019 through Fiscal Year 2025 are required to be transferred to this fund, net of adjustments related to certain changes in conformity included in the legislation.

As background, TCJA contained many changes to federal tax rates and the calculation of the federal corporate and individual tax bases. Many of these federal tax system changes indirectly affect Virginia taxpayers' liabilities because the calculation of Virginia tax incorporates certain federal tax items which were impacted by TCJA. One of the primary impacts of the TCJA on Virginia tax revenues results from limitations on federal itemized deductions and the increase in the federal standard deduction. The combination of these two categories of changes caused many taxpayers who had previously claimed federal itemized deductions for tax year 2017 (for items such as mortgage interest and state and local taxes) to switch to claiming the federal standard deduction for tax year 2018, which, in turn, affects the amount of Virginia itemized deductions and the choice to claim the Virginia standard deduction.

Only Virginia tax revenues which were collected specifically due to the individual tax provisions of the TCJA are transferred to the TRF. In contrast, revenues generated from general economic growth, generated by the business provisions of the TCJA, as well as taxes that would have been collected absent the TCJA for some other reason (such as normal increases in taxpayer income levels), are not to be transferred to the TRF. Additionally, revenues needed to implement certain Virginia tax policy changes contained in HB2529/SB1372 are required to be subtracted from the calculation of the amount to be transferred to the TRF. Specifically, this analysis provides estimates of:

1. the amount of Virginia tax revenues generated by the individual tax reform provisions of the TCJA;
2. the reduction in Virginia tax revenues attributable to modifications to Virginia's treatment of GILTI income and the federal limitation for net interest deductions, contained in House Bill 2529 and Senate Bill 1372; and
3. the net amount for the TRF.

For purposes of this analysis, and as agreed with the Virginia Department of Taxation, Virginia tax revenues generated in Fiscal Year 2019 are defined as revenues related to the specified provisions and taxes for taxpayers who filed a tax year 2018 tax return prior to July 1, 2019. Due to unavailable data, the results below do not reflect adjustments to estimated payments and extension payments.

As seen in Table 1, this analysis estimates that Virginia tax revenues increased \$466 million in Fiscal Year 2019 relative to the tax revenues that would have been collected in Fiscal Year 2019 absent the individual tax reform provisions of the TCJA on tax returns filed prior to July 1, 2019.

The amount to be transferred to the TRF is then reduced by the revenue cost of Virginia tax changes contained in House Bill 2529 and Senate Bill 1372. For Fiscal Year 2019 these changes are: (1) allow a deduction for up to 20% for the amount disallowed as a result of the TCJA's business interest limitation (2) allow a Global Intangible Low-taxed Income (GILTI) subtraction. This analysis estimates that these two changes reduced Virginia tax revenues by \$11 million in Fiscal Year 2019. See Section III for these estimates.

Overall, this analysis estimates the net amount for the TRF for Fiscal Year 2019 to be \$455 million (i.e., \$466 million less \$11 million).

**Table 1. Virginia Taxpayer Relief Fund estimate for Fiscal Year 2019**  
*Millions of dollars*

Revenues generated from individual tax reform provisions of the TCJA	+\$466
Tax policy changes set forth in HB 2529 and SB 1372	-\$11
<b>Net amount</b>	<b>=\$455</b>

Note: Excludes tax effects for returns filed after 6/30/19. Figures may not sum due to rounding.  
 Source: EY analysis.

## II. Virginia tax revenues generated from the individual tax reform provisions of the TCJA

The TCJA contained a large number of provisions impacting individual taxpayers. These provisions included the modification of the standard deduction, limitation on state and local tax deductions, changes to the deduction for personal casualty and theft losses, repeal of certain miscellaneous itemized deductions subject to the two-percent floor, repeal of the limitation on itemized deductions, and limitation on business losses, among others. An individual's federal tax return choices – such as their choice to take the standard deduction or itemize – have significant implications for an individual's Virginia tax return either because federal tax return items impacted by TCJA provide the basis for the calculation of Virginia tax, or because choices made by the taxpayer when filing their federal return dictate filing elections on the Virginia return. Additionally, Virginia House Bill 2529 and Senate Bill 1372 generally advanced Virginia's date of conformity to the Internal Revenue Code.<sup>1</sup> As a result, significant changes to the federal tax base from the TCJA flowed through to Virginia individual tax returns and increased Virginia tax revenues.

### Estimation approach

This analysis of Virginia tax revenues generated from the individual tax reform provisions of the TCJA relies on individual tax return data provided to EY by VA Tax. VA Tax provided return-level data for filers of Forms 760 (resident tax return), 760PY (part-year resident tax return), and 763 (nonresident tax return) for 3.9 million tax returns in 2017 and 3.7 million tax returns in 2018.<sup>2</sup> The 2017 data, as modified as described below and referred to as “pre-TCJA 2018”, were then compared to the 2018 tax return data (“post-TCJA 2018”). This comparison resulted in an estimate of the Virginia tax revenues generated from the individual tax reform provisions of the TCJA. In particular, this analysis was conducted in two steps:

1. a database of matched-pair tax returns was created using tax return identifiers and statistical matching;<sup>3</sup> and
2. the database of matched-pair tax returns was refined to control for year-over-year changes unrelated to the TCJA.

The individual tax return data provided to EY by VA Tax included taxpayer identifiers which were used to match tax returns filed for the 2017 and 2018 tax years by the same taxpayer. The returns were matched using this identifier except when (1) the identifier for a tax return was not present in both years or (2) the tax returns filed by the same taxpayer had significant year-over-year changes unrelated to the TCJA.<sup>4</sup> For example, the tax return of two taxpayers who married in

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<sup>1</sup> Virginia did not fully conform to the Internal Revenue Code. For example, Virginia did not conform to the TCJA's suspension of the limitation on itemized deductions (for taxable years beginning on and after January 1, 2019).

<sup>2</sup> The 2018 tax returns included in this analysis are only those filed before July 1, 2019. The 2017 returns were only utilized in this analysis to the extent they matched a 2018 return.

<sup>3</sup> While this is not in actuality a panel data set, the statistical matching replicates a panel study over 2017-2018 period, controlling for non-TCJA related changes.

<sup>4</sup> This analysis defined a significant year-over-year change unrelated to the TCJA as a change in filing status, a change in form filed, a change in the number of dependents, or a change of at least 25% in Virginia



2018 and filed a joint return cannot be compared to their 2017 tax returns, which were filed separately using a different filing status. Examples of other significant changes in tax status and tax liability unrelated to the TCJA could occur, for example, from one-time capital gains or losses, volatile streams of income, or major non-tax life changes such as marriage, divorce, or a change in the number of dependents. In such cases comparing the same taxpayer over two years may erroneously identify changes in tax liability as changes resulting from the TCJA.

In these instances where tax returns for the same taxpayer were not observed in 2017 and 2018, or the tax return characteristics have changed significantly, the analysis uses a statistical matching process to identify a proxy taxpayer that both closely resembles the 2018 tax characteristics of the unmatched 2018 return and filed a tax return in both 2017 and 2018.<sup>5</sup>

For example, for a couple which married in 2018, there would be no 2017 matched tax return for the same taxpayer unit since the two taxpayers would have filed separately in 2017. To construct a match for this newly married couple, the matching process would identify a similar, married taxpayer unit in 2018 which had also filed a married tax return in 2017. For a tax return to be considered “similar,” the statistical matching requires that matched-pair tax returns in 2018 have the same adjusted gross income (AGI) bracket, filing status, standard versus itemized deduction choice, number of dependents, number of over-65 exemptions, and form type.<sup>6</sup> Given these constraints a proxy return was then chosen by choosing the tax return that matched all these criteria with the closest AGI amount.<sup>7</sup>

While the statistical matching mitigates error from erroneously attributing Virginia tax revenue changes to the TCJA, it may not fully eliminate it. To further address this concern, the database of matched-pair tax returns was refined to control for changes unrelated to the TCJA. In particular, the analysis assumed:

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AGI. Overall, approximately 48% of tax returns were directly matched using an identifier and the remaining 52% were statistically matched.

<sup>5</sup> Formally, a k-nearest neighbors algorithm was used.

<sup>6</sup> That is, returns were separated into  $13 \times 3 \times 2 \times 3 \times 3 \times 3 = 2,106$  categories for statistical matching. The AGI brackets were  $< \$0$ ,  $\$0$  under  $\$25,000$ ,  $\$25,000$  under  $\$50,000$ ,  $\$50,000$  under  $\$75,000$ ,  $\$75,000$  under  $\$100,000$ ,  $\$100,000$  under  $\$125,000$ ,  $\$125,000$  under  $\$150,000$ ,  $\$150,000$  under  $\$175,000$ ,  $\$175,000$  under  $\$200,000$ ,  $\$200,000$  under  $\$250,000$ ,  $\$250,000$  under  $\$500,000$ ,  $\$500,000$  under  $\$1,000,000$ , and  $> \$1,000,000$ . The filing status categories were single, married filing jointly, and married filing separately. The deduction choice categories were standard deduction and itemized deduction. The number of dependents categories were 0, 1, and 2 or more. The number of over-65 exemptions categories were 0, 1, and 2. The form type categories were 760, 760PY, and 763.

<sup>7</sup> In particular, the return’s proxy within the 2,106 categories was chosen based on Virginia AGI. In a validation test of the statistical matching approach, tax returns for which the taxpayer identifier approach was used were statistically matched and their actual 2017 data was compared to their statistically matched 2017 data. For residents, the amount of total Virginia AGI on the matched returns differed by less than 0.1%, total Virginia taxable income differed by less than 0.1%, and total Virginia income tax before credits differed by 0.1%. For nonresidents, total Virginia AGI on the matched returns differed by 1.8%, total Virginia taxable income differed by 1.9%, and total Virginia income tax before credits differed by 0.7%. Validation tests suggested that statistical error in the statistical matching process was largely offsetting and that after returns were separated into the 2,106 categories for matching the results were not sensitive to the variable(s) used to find the return’s nearest neighbor.

- tax returns that took the standard deduction for both pre-TCJA 2018 and post-TCJA 2018 were generally assumed to be unaffected by most provisions of the TCJA;
- the total amount of itemized deductions for a matched-pair set of returns must have been at least as much in pre-TCJA 2018 as post-TCJA 2018; and
- Virginia AGI was generally constant between pre-TCJA 2018 and post-TCJA 2018 (i.e., observed changes in Virginia AGI between 2017 and 2018 tax returns are unrelated to TCJA). The notable exception to the Virginia AGI adjustment is that Virginia AGI increased on some returns due to the business loss limitation.<sup>8</sup>

These pre-TCJA 2018 tax returns (i.e., adjusted 2017 tax return data) were then compared to post-TCJA 2018 tax returns (i.e., unadjusted 2018 data) to estimate the amount of Virginia tax revenues generated from the individual tax reform provisions of the TCJA.<sup>9</sup>

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<sup>8</sup> Because the data available for this analysis only included 2018 tax returns filed before July 1, 2019 there were significant business losses not captured in the 2018 data. In particular, for matched tax returns with Schedule C, E, and F data, business losses increased from 2017 to 2018 despite a significant drop in a comparison of such losses between 2017 and 2018. This suggests the year-over-year decline in business losses is due to a lack of data (e.g., from paper-filed returns and the timing of returns filed on extension). Because of this data limitation for 2018 tax returns the Virginia tax revenue impact of the business loss limitation was estimated with the 2017 tax return data and added, in aggregate, to the return-level results comparing pre-TCJA 2018 tax returns to post-TCJA 2018 tax returns.

<sup>9</sup> Additionally, the TCJA's alternative inflation measure was explicitly modeled. The TCJA changed the inflation index from the Consumer Price Index for all Urban Consumers (CPI-U) to the Chained Consumer Price Index for all Urban Consumers (C-CPI-U). The C-CPI-U has smaller growth than the CPI-U and, as a result, individual items in the federal tax code that are adjusted for inflation grow at a slower rate. For tax year 2018, the main inflation adjusted item to impact Virginia tax returns is the earned income tax credit (EIC). For qualifying individuals, Virginia allows a tax credit equal to the greater of \$300 times the number of exemptions ("the Virginia LIC") or 20% of the EIC amount ("the Virginia EIC"). Unlike the federal EIC, this credit is not refundable. The analysis takes all returns with a 2018 Virginia LIC or EIC and calculates their pre-TCJA federal EIC using pre-TCJA inflation parameters. Next, a pre-TCJA Virginia EIC or LIC is calculated using the estimated pre-TCJA federal EIC.

## Estimated Virginia tax liability impact of the individual tax reform provisions of the TCJA

Table 2 displays the estimated change in total Virginia tax liability due to TCJA. As seen in Table 2, this analysis estimates that Virginia tax revenues increased \$466 million in Fiscal Year 2019 relative to the tax revenues that would have been collected in Fiscal Year 2019 absent the individual tax reform provisions of the TCJA, for tax returns filed prior to July 1, 2019.

Overall, for an average tax return Virginia tax liability is estimated to increase 4.3% due to the individual tax reform provisions of the TCJA.

Average Virginia tax liability is estimated to increase for each AGI bracket, with tax returns with less than \$25,000 but more than \$0 in AGI having the highest percent increase (13.5%). Much of the increase in Virginia tax liability for the two lowest AGI brackets is due to the business loss limitation. The next largest percent increase is for tax returns with more than \$1,000,000 in AGI (6.8%).

**Table 2. Estimated Virginia tax liability impact of the individual reform provisions of the TCJA**

*Millions of dollars*

Adjusted gross income	Pre-TCJA 2018 tax liability	Post-TCJA 2018 tax liability	Change in tax liability	Percent change in tax liability
Less than \$0	*	2	*	*
\$0 under \$25,000	173	196	23	13.5
\$25,000 under \$50,000	934	979	46	4.9
\$50,000 under \$75,000	1,134	1,190	55	4.9
\$75,000 under \$100,000	1,152	1,214	61	5.3
\$100,000 under \$125,000	1,097	1,149	51	4.7
\$125,000 under \$150,000	943	982	39	4.1
\$150,000 under \$175,000	795	824	29	3.7
\$175,000 under \$200,000	651	672	21	3.2
\$200,000 under \$250,000	993	1,021	28	2.8
\$250,000 under \$500,000	1,783	1,820	37	2.1
\$500,000 under \$1,000,000	646	663	17	2.7
More than \$1,000,000	603	644	41	6.8
<b>All returns</b>	<b>\$10,890</b>	<b>\$11,356</b>	<b>\$466</b>	<b>4.3%</b>

\* Data reflects a negative Pre-TCJA 2018 tax liability, which rounds to zero.

Note: Adjusted gross income is federal adjusted gross income adjusted for filers of forms 760PY and 763. Tax liability is income tax after credits. Results are shown for filers of form 760, 760PY, and 763. Figures may not sum due to rounding.

Source: EY analysis.

Table 3 displays estimates of the average change in Virginia tax liability resulting from the individual tax reform provisions of the TCJA. Average tax liability is generally estimated to increase as AGI increases, although the average AGI for the less than \$0 AGI bracket was higher than most other brackets. Tax returns with less than \$25,000 but more than \$0 in AGI are estimated to, on average, have a \$19 increase in Virginia tax liability, while those with over \$1,000,000 in AGI are estimated to have a \$6,491 average increase in Virginia tax liability. Overall, the average tax return in Virginia is estimated to have a \$125 increase in Virginia tax liability due to the individual tax reform provisions of the TCJA.

**Table 3. Estimated average Virginia tax liability impact of the individual reform provisions of the TCJA**

Adjusted gross income	Number of returns (thou)	Change in tax liability (\$mil)	Average change (\$)
Less than \$0	19	16	870
\$0 under \$25,000	1,228	23	19
\$25,000 under \$50,000	820	46	56
\$50,000 under \$75,000	503	55	110
\$75,000 under \$100,000	345	61	178
\$100,000 under \$125,000	241	51	212
\$125,000 under \$150,000	161	39	242
\$150,000 under \$175,000	112	29	263
\$175,000 under \$200,000	78	21	270
\$200,000 under \$250,000	98	28	286
\$250,000 under \$500,000	115	37	325
\$500,000 under \$1,000,000	20	17	851
More than \$1,000,000	6	41	6,491
<b>All returns</b>	<b>3,745</b>	<b>\$466</b>	<b>\$125</b>

Note: Adjusted gross income is federal adjusted gross income adjusted for filers of forms 760PY and 763. Tax liability is income tax after credits. Results are shown for filers of form 760, 760PY, and 763. Figures may not sum due to rounding.  
Source: EY analysis.

Tables 4 and 5 display estimates for (1) tax returns with an increase in tax liability (“increase”), (2) tax returns with a decrease in tax liability (“decrease”), and (3) tax returns with a change of less than \$10 in tax liability (“no change”). Generally, the magnitude of the increase in Virginia tax liability increases as AGI increases. Similarly, the magnitude of the decrease in Virginia tax liability increases as AGI increases. Again, tax returns with negative AGI are an outlier to this trend. This is in large part due to the business loss limitation.

Overall, this analysis estimates that due to the individual tax reform provisions of the TCJA 1.1 million tax returns had an increase in Virginia tax liability, 452,000 had a decrease in Virginia tax liability, and nearly 2.2 million tax returns had no change in Virginia tax liability.

**Table 4. Estimated Virginia tax liability impact of the individual reform provisions of the TCJA, excluding business losses, by impact on return**

Adjusted gross income	Tax liability increase			Tax liability decrease			No Change Number of returns (thou)	Net change for impacted returns (\$mil)
	Number of returns (thou)	Amount of increase (\$mil)	Average increase (\$)	Number of returns (thou)	Amount of decrease (\$mil)	Average decrease (\$)		
Less than \$0	*	*	1,123	*	0	-1,092	18	*
\$0 under \$25,000	53	12	228	32	-4	-129	1,142	8
\$25,000 under \$50,000	192	64	333	93	-18	-198	535	45
\$50,000 under \$75,000	184	72	393	73	-17	-236	246	55
\$75,000 under \$100,000	165	74	452	51	-13	-258	129	61
\$100,000 under \$125,000	136	63	462	43	-12	-278	63	51
\$125,000 under \$150,000	99	50	500	36	-11	-294	26	39
\$150,000 under \$175,000	71	39	543	29	-9	-329	12	29
\$175,000 under \$200,000	50	29	594	22	-9	-395	6	21
\$200,000 under \$250,000	62	42	670	29	-14	-497	6	27
\$250,000 under \$500,000	74	72	973	34	-37	-1,062	7	35
\$500,000 under \$1,000,000	12	41	3,343	7	-27	-4,037	1	14
More than \$1,000,000	4	57	15,672	2	-39	-17,800	0	18
<b>All returns</b>	<b>1,102</b>	<b>\$615</b>	<b>\$558</b>	<b>452</b>	<b>-\$211</b>	<b>-\$466</b>	<b>2,192</b>	<b>\$404</b>

\* Fewer than 500 returns or less than \$500,000 in magnitude.

Note: Table excludes the business loss limitation, which could not be estimated at the return level with available data. Adjusted gross income is federal adjusted gross income adjusted for filers of forms 760PY and 763. Tax liability is income tax after credits. Results are shown for filers of form 760, 760PY, and 763. Figures may not sum due to rounding.

Source: EY analysis.

Table 5 displays the estimated distribution of tax returns by (1) tax returns with an increase in tax liability (“increase”), (2) tax returns with a decrease in tax liability (“decrease”), and (3) tax returns with a change of less than \$10 in tax liability (“no change”). This analysis estimates that more than twenty percent of all tax returns with a decrease in Virginia tax liability due to the individual tax reform provisions of the TCJA had more than \$0 but less than \$50,000 of AGI. Twenty-eight percent of tax returns with an estimated increase in Virginia tax liability were also in this AGI bracket. Tax returns with less than \$25,000 but more than \$0 of AGI were estimated to include 52% of all tax returns with no change in Virginia tax liability due to the individual tax reform provisions of the TCJA.

**Table 5. Distribution of estimated Virginia tax liability impact of the individual tax reform provisions of the TCJA, by impact on return**

Adjusted gross income	Tax liability increase		Tax liability decrease		No change
	Number of returns (Percent)	Amount of increase (Percent)	Number of returns (Percent)	Amount of decrease (Percent)	Number of returns (Percent)
Less than \$0	*	*	*	*	1
\$0 under \$25,000	5	2	7	2	52
\$25,000 under \$50,000	17	10	21	9	24
\$50,000 under \$75,000	17	12	16	8	11
\$75,000 under \$100,000	15	12	11	6	6
\$100,000 under \$125,000	12	10	9	6	3
\$125,000 under \$150,000	9	8	8	5	1
\$150,000 under \$175,000	6	6	6	5	1
\$175,000 under \$200,000	5	5	5	4	*
\$200,000 under \$250,000	6	7	6	7	*
\$250,000 under \$500,000	7	12	8	17	*
\$500,000 under \$1,000,000	1	7	1	13	*
More than \$1,000,000	*	9	*	19	*
<b>All returns</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\* Less than 0.5% in magnitude.

Note: Each column sums to 100%. Table excludes the business loss limitation, which could not be estimated at the return level with available data. Adjusted gross income is federal adjusted gross income adjusted for filers of forms 760PY and 763. Tax liability is income tax after credits. Results are shown for filers of form 760, 760PY, and 763. Figures may not sum due to rounding.

Source: EY analysis.

## Estimated impact of individual tax reform provisions of the TCJA on the decision to itemize or claim the standard deduction

Table 6 displays the number of pre-TCJA 2018 and post-TCJA 2018 tax returns that took the standard deduction or itemized deductions. The number of tax returns taking the standard deduction is estimated to increase from 2.3 million tax returns in pre-TCJA 2018 to 3.1 million tax returns in post-TCJA 2018. That is, nearly 800,000 returns are estimated to switch from itemizing their deductions to taking the standard deduction. This is largely due to the TCJA's increases in the federal standard deduction amount and limitation or repeal of certain itemized deductions.

**Table 6. Estimated impact of individual tax reform provisions of the TCJA on the decision to itemize or claim the standard deduction, number of returns**  
*Thousands of returns*

Adjusted gross income	Itemized deduction		Standard deduction		Number switching from itemized to standard
	Number of returns (Pre-TCJA 2018)	Number of returns (Post-TCJA 2018)	Number of returns (Pre-TCJA 2018)	Number of returns (Post-TCJA 2018)	
Less than \$0	5	2	13	16	3
\$0 under \$25,000	135	42	1,093	1,185	92
\$25,000 under \$50,000	178	55	642	765	123
\$50,000 under \$75,000	204	79	298	424	126
\$75,000 under \$100,000	193	81	152	264	112
\$100,000 under \$125,000	171	73	70	169	99
\$125,000 under \$150,000	134	63	27	99	71
\$150,000 under \$175,000	99	51	13	61	49
\$175,000 under \$200,000	72	39	6	38	32
\$200,000 under \$250,000	93	55	4	43	38
\$250,000 under \$500,000	113	73	2	41	40
\$500,000 under \$1,000,000	20	14	*	6	6
More than \$1,000,000	6	5	*	2	1
<b>All returns</b>	<b>1,424</b>	<b>632</b>	<b>2,322</b>	<b>3,113</b>	<b>792</b>

\* Fewer than 500 returns.

Note: Adjusted gross income is federal adjusted gross income adjusted for filers of forms 760PY and 763. Results are shown for filers of form 760, 760PY, and 763. Figures may not sum due to rounding.

Source: EY analysis.

Table 7 displays the total amount of standard deduction and itemized deductions claimed in pre-TCJA 2018 and post-TCJA 2018 by AGI bracket. Comparing post-TCJA 2018 to pre-TCJA 2018, for each AGI bracket the dollar amount of the standard deduction is estimated to increase, the dollar amount of itemized deductions claimed is estimated to decrease, and the total amount of deductions (i.e., standard and itemized deductions) claimed on Virginia returns is estimated to decrease. Overall, this analysis estimates that such total deductions claimed on Virginia returns decrease nearly \$7.5 billion in post-TCJA 2018 relative to pre-TCJA 2018.

**Table 7. Estimated impact of individual tax reform provisions of the TCJA on the decision to itemize or claim the standard deduction, amount of deduction**  
*Millions of dollars*

Adjusted gross income	Itemized deduction		Standard deduction		Net change in itemized and standard deductions
	Deduction amount (Pre-TCJA 2018)	Deduction amount (Post-TCJA 2018)	Deduction amount (Pre-TCJA 2018)	Deduction amount (Post-TCJA 2018)	
Less than \$0	143	75	45	59	-55
\$0 under \$25,000	2,740	1,511	2,694	3,685	-237
\$25,000 under \$50,000	2,420	1,243	2,405	2,747	-836
\$50,000 under \$75,000	3,157	1,659	1,333	1,773	-1,058
\$75,000 under \$100,000	3,393	1,746	747	1,294	-1,100
\$100,000 under \$125,000	3,152	1,701	389	896	-944
\$125,000 under \$150,000	2,621	1,544	162	544	-696
\$150,000 under \$175,000	2,113	1,339	80	344	-510
\$175,000 under \$200,000	1,652	1,109	41	216	-368
\$200,000 under \$250,000	2,358	1,683	41	243	-473
\$250,000 under \$500,000	3,434	2,631	52	236	-619
\$500,000 under \$1,000,000	1,023	740	*	33	-249
More than \$1,000,000	823	480	*	8	-323
<b>All returns</b>	<b>\$29,031</b>	<b>\$17,460</b>	<b>\$7,975</b>	<b>\$12,078</b>	<b>-\$7,468</b>

\* Less than \$500,000 in magnitude.

Note: Adjusted gross income is federal adjusted gross income adjusted for filers of forms 760PY and 763. Results are shown for filers of form 760, 760PY, and 763. Figures may not sum due to rounding.  
Source: EY analysis.



Table 8 shows the total tax benefit of the standard and itemized deductions under the post-TCJA and pre-TCJA scenarios. The tax value of the itemized deductions dropped by over \$576 million post-TCJA, while the tax value of the standard deduction only increased by \$177 million.

**Table 8. Estimated impact of individual tax reform provisions of the TCJA on the decision to itemize or claim the standard deduction, tax benefit amount**

*Millions of dollars*

Adjusted gross income	Itemized deduction			Standard deduction			Net change in tax benefit
	Amount of tax benefit (Pre-TCJA 2018)	Amount of tax benefit (Post-TCJA 2018)	Change	Amount of tax benefit (Pre-TCJA 2018)	Amount of tax benefit (Post-TCJA 2018)	Change	
Less than \$0	*	*	*	*	*	*	*
\$0 under \$25,000	16	5	-11	68	71	3	-8
\$25,000 under \$50,000	106	48	-58	130	147	17	-41
\$50,000 under \$75,000	160	81	-78	77	100	24	-55
\$75,000 under \$100,000	186	94	-92	43	74	31	-61
\$100,000 under \$125,000	174	94	-80	22	51	29	-51
\$125,000 under \$150,000	149	88	-61	9	31	22	-39
\$150,000 under \$175,000	121	77	-44	5	20	15	-29
\$175,000 under \$200,000	94	63	-31	2	12	10	-21
\$200,000 under \$250,000	135	96	-39	2	14	12	-27
\$250,000 under \$500,000	196	151	-46	3	14	11	-35
\$500,000 under \$1,000,000	57	41	-16	*	2	2	-14
More than \$1,000,000	46	27	-19	*	*	*	-8
<b>All returns</b>	<b>\$1,440</b>	<b>\$865</b>	<b>-\$576</b>	<b>\$360</b>	<b>\$537</b>	<b>\$177</b>	<b>-\$399</b>

\* Fewer than 500 returns or less than \$500,000 in magnitude.

Note: Adjusted gross income is federal adjusted gross income adjusted for filers of forms 760PY and 763. Results are shown for filers of form 760, 760PY, and 763. Figures may not sum due to rounding.

Source: EY analysis.

Table 9 displays the estimated impact of the individual tax reform provisions of the TCJA on the state and local tax (SALT) deduction. More than 700,000 fewer tax returns claimed the SALT deduction, and the value dropped by more than \$6.3 billion. The change in value of the SALT deduction is a result of more taxpayers opting to take the increased federal TCJA standard deduction and deductible state and local taxes generally being capped at \$10,000 under the TCJA.

**Table 9. Estimated impact of individual tax reform provisions of the TCJA on the state and local tax deduction**

<b>Adjusted gross income</b>	<b>Number of returns (Pre-TCJA 2018) (thou)</b>	<b>Number of returns (Post-TCJA 2018) (thou)</b>	<b>Net change in returns claiming deduction</b>	<b>Amount of deduction (Pre-TCJA 2018) (\$mil)</b>	<b>Amount of deduction (Post-TCJA 2018) (\$mil)</b>	<b>Net change in deduction (\$mil)</b>
Less than \$0	2	1	-1	12	2	-10
\$0 under \$25,000	91	29	-62	491	74	-417
\$25,000 under \$50,000	156	46	-110	320	86	-234
\$50,000 under \$75,000	192	72	-120	599	200	-399
\$75,000 under \$100,000	184	76	-108	793	287	-506
\$100,000 under \$125,000	166	68	-98	897	311	-586
\$125,000 under \$150,000	129	58	-71	853	284	-569
\$150,000 under \$175,000	95	46	-49	743	223	-520
\$175,000 under \$200,000	68	35	-33	619	161	-458
\$200,000 under \$250,000	85	47	-38	952	197	-755
\$250,000 under \$500,000	92	52	-40	1,501	197	-1304
\$500,000 under \$1,000,000	13	7	-6	387	27	-360
More than \$1,000,000	3	2	-1	225	7	-218
<b>All returns</b>	<b>1,274</b>	<b>539</b>	<b>-735</b>	<b>\$8,391</b>	<b>\$2,056</b>	<b>-\$6,335</b>

Note: Adjusted gross income is federal adjusted gross income adjusted for filers of forms 760PY and 763. Results are shown for filers of form 760, 760PY, and 763. Figures may not sum due to rounding.

Source: EY analysis.

## Estimated impact of individual tax reform provisions of the TCJA by major change

Table 10 displays the estimated impact of the individual tax reform provisions of the TCJA by major change. Overall, this analysis estimates that Virginia tax revenues increased \$466 million in Fiscal Year 2019 relative to the tax revenues that would have been collected in Fiscal Year 2019 absent the individual tax reform provisions of the TCJA on tax returns filed prior to July 1, 2019. The majority (\$399 million; 86%) of the increase came from change in itemized and standard deductions. The next largest share (\$62 million; 13%) came from the business loss limitation. This is followed by the alternative inflation measure (\$5 million; 1%).

**Table 10. Estimated Virginia tax liability impact of individual tax reform provisions of the TCJA**

	Amount (\$mil)	Share (%)
Change in itemized and standard deductions	399	86
Business loss limitation	62	13
Alternative inflation measure	5	1
<b>Total</b>	<b>\$466</b>	<b>100%</b>

Note: Table shows change in income tax after credits. Results are shown for filers of form 760, 760PY, and 763. Figures may not sum due to rounding.

Source: EY analysis.

### **III. Reduction in Virginia tax revenues from tax policy changes in House Bill 2529 and Senate Bill 1372**

The amount to be transferred to the TRF related to TCJA is reduced by the tax policy changes set forth in House Bill 2529 and Senate Bill 1372. For Fiscal Year 2019 these changes are: (1) allow a deduction for up to 20% for the amount disallowed as a result of the TCJA's business interest limitation and (2) allow a GILTI subtraction.

This analysis of the revenue cost of these tax policy changes relies on corporate tax return data provided to EY by the Virginia Department of Taxation. The Virginia Department of Taxation provided return-level data for filers of Forms 500 and 500ADJ for corporate filers with any subpart F income in 2017 or 2018 and for returns with the additional net interest deduction in 2018. These data include 1,284 corporate returns for 2017 and 155 returns for 2018. The smaller number of returns in 2018 is likely because the data used in this analysis only includes tax returns filed before July 1, 2019 and the majority of corporate taxpayers file on extension.

#### **Additional 20% deduction for disallowed interest**

Prior to the TCJA, interest paid or accrued by a business was generally deductible. The TCJA limited the amount of deductible business interest expense to the sum of: (1) the taxpayer's business interest income for the year, (2) 30% of the taxpayer's adjusted taxable income for the year, and (3) the taxpayer's flood plan financing interest expense for the year.

House Bill 2529 and Senate Bill 1372 allowed Virginia individual and corporate filers a deduction for 20% of the amount of business interest disallowed on their federal income tax return as a result of the TCJA's business interest limitation. An estimate for the amount of the deduction taken by noncorporate returns was developed using federal statistics on business interest deductions taken by individual tax return filers.<sup>10</sup> Overall, this analysis estimates that the additional 20% deduction for disallowed interest reduced Virginia tax revenues by \$10 million in Fiscal Year 2019.

#### **Allow a GILTI subtraction**

Virginia allows a subtraction against the corporate income tax for subpart F income to the extent it is included in the taxpayer's federal taxable income. House Bill 2529 and Senate Bill 1372 expanded this subtraction to include GILTI. GILTI is an anti-base erosion provision of the TCJA that effectively taxes foreign earnings in excess of a 10% rate of return on fixed assets at a reduced rate by providing a 50% deduction (subject to certain limitations). Based on the corporate tax returns provided to EY by the Virginia Department of Taxation, this analysis estimates this provision reduced Virginia tax revenues by \$0.6 million in Fiscal Year 2019.

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<sup>10</sup> Individual filers claiming the additional interest deduction on the Virginia tax return do so on the Schedule ADJ using a code for "other". Therefore, this analysis was unable to estimate the amount of the deduction from the Virginia individual tax returns. Internal Revenue Service individual tax statistics for tax year 2016 indicate that business interest expenses deducted on individual returns comprise 0.3% of AGI. This analysis applies that percentage to total Virginia AGI on 2018 returns to estimate the total size of disallowed business interest. Total business interest is then reduced to 20% to reflect the additional deduction allowed on the Virginia individual tax return.

## IV. Appendix. Estimates for Virginia residents

Tables included in the main body of this report are for filers of Forms 760, 760PY, and 763 and include residents, non-residents, and part-year residents. This appendix includes results for filers of Form 760 only (i.e., residents).

**Table A-1. Estimated Virginia tax liability impact  
of the individual reform provisions of the TCJA**  
*Residents only; millions of dollars*

Adjusted gross income	Pre-TCJA 2018 tax liability	Post-TCJA 2018 tax liability	Change in tax liability	Percent change in tax liability
Less than \$0	*	2	13	*
\$0 under \$25,000	149	162	14	9.4
\$25,000 under \$50,000	851	894	44	5.1
\$50,000 under \$75,000	1,061	1,113	52	4.9
\$75,000 under \$100,000	1,099	1,156	57	5.2
\$100,000 under \$125,000	1,055	1,105	50	4.8
\$125,000 under \$150,000	912	949	38	4.1
\$150,000 under \$175,000	772	800	28	3.7
\$175,000 under \$200,000	633	654	21	3.3
\$200,000 under \$250,000	970	997	27	2.8
\$250,000 under \$500,000	1,737	1,773	36	2.1
\$500,000 under \$1,000,000	626	640	14	2.2
More than \$1,000,000	569	592	23	4.1
<b>All returns</b>	<b>\$10,422</b>	<b>\$10,839</b>	<b>\$417</b>	<b>4.0%</b>

\* Data reflects a negative Pre-TCJA 2018 tax liability, which rounds to zero.

Note: Adjusted gross income is federal adjusted gross income. Tax liability is income tax after credits. Results are shown for filers of form 760. Figures may not sum due to rounding.

Source: EY analysis.

**Table A-2. Estimated average Virginia tax liability  
impact of the individual reform provisions of the TCJA**  
*Residents only*

<b>Adjusted gross income</b>	<b>Number of returns (thou)</b>	<b>Amount of tax change (\$mil)</b>	<b>Average tax change (\$)</b>
Less than \$0	17	13	785
\$0 under \$25,000	1,003	14	14
\$25,000 under \$50,000	761	44	57
\$50,000 under \$75,000	475	52	109
\$75,000 under \$100,000	331	57	173
\$100,000 under \$125,000	233	50	216
\$125,000 under \$150,000	157	38	241
\$150,000 under \$175,000	109	28	261
\$175,000 under \$200,000	76	21	278
\$200,000 under \$250,000	95	27	281
\$250,000 under \$500,000	112	36	322
\$500,000 under \$1,000,000	20	14	700
More than \$1,000,000	6	23	3,892
<b>All returns</b>	<b>3,395</b>	<b>\$417</b>	<b>\$123</b>

Note: Adjusted gross income is federal adjusted gross income. Tax liability is income tax after credits. Results are shown for filers of form 760. Figures may not sum due to rounding.  
Source: EY analysis.

**Table A-3. Estimated Virginia tax liability impact of the individual reform provisions of the TCJA, excluding business losses, by impact on return**  
*Residents only*

Adjusted gross income	Tax liability increase			Tax liability decrease			No change	Net tax liability impact (\$mil)
	Number of returns (thou)	Amount of increase (\$mil)	Average (\$)	Number of returns (thou)	Amount of decrease (\$mil)	Average (\$)	Number of returns (thou)	
Less than \$0	*	*	1,339	*	*	-1,127	16	*
\$0 under \$25,000	27	7	257	23	-3	-110	953	5
\$25,000 under \$50,000	181	58	320	84	-15	-175	496	43
\$50,000 under \$75,000	176	67	380	68	-15	-222	231	52
\$75,000 under \$100,000	159	67	424	48	-10	-218	124	57
\$100,000 under \$125,000	132	60	454	40	-10	-246	61	50
\$125,000 under \$150,000	97	47	483	35	-9	-269	25	38
\$150,000 under \$175,000	70	37	527	28	-8	-305	11	28
\$175,000 under \$200,000	49	29	588	21	-8	-370	6	21
\$200,000 under \$250,000	61	39	645	28	-13	-469	6	26
\$250,000 under \$500,000	73	66	914	33	-32	-961	6	34
\$500,000 under \$1,000,000	12	37	3,082	6	-25	-3,880	1	12
More than \$1,000,000	3	43	12,316	2	-34	-16,631	*	9
<b>All returns</b>	<b>1,041</b>	<b>\$557</b>	<b>\$535</b>	<b>417</b>	<b>-\$182</b>	<b>-\$438</b>	<b>1,937</b>	<b>\$375</b>

\* Fewer than 500 returns or less than \$500,000 in magnitude.

Note: Table excludes the business loss limitation, which could not be estimated at the return level with available data. Adjusted gross income is federal adjusted gross income. Tax liability is income tax after credits. Results are shown for filers of form 760. Figures may not sum due to rounding.  
Source: EY analysis.

**Table A-4. Distribution of estimated Virginia tax liability impact of  
the individual tax reform provisions of the TCJA, by impact on return**  
*Residents only*

Adjusted gross income	Tax liability increase		Tax liability decrease		No change
	Number of returns (Percent)	Amount of increase (Percent)	Number of returns (Percent)	Amount of decrease (Percent)	Number of returns (Percent)
Less than \$0	*	*	*	*	1
\$0 under \$25,000	3	1	6	2	49
\$25,000 under \$50,000	17	10	20	8	26
\$50,000 under \$75,000	17	12	16	8	12
\$75,000 under \$100,000	15	12	12	5	6
\$100,000 under \$125,000	13	11	10	5	3
\$125,000 under \$150,000	9	8	8	5	1
\$150,000 under \$175,000	7	7	7	4	1
\$175,000 under \$200,000	5	5	5	4	*
\$200,000 under \$250,000	6	7	7	7	*
\$250,000 under \$500,000	7	12	8	18	*
\$500,000 under \$1,000,000	1	7	1	14	*
More than \$1,000,000	*	8	*	19	*
<b>All returns</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\* Less than 0.5% in magnitude.

Note: Each column sums to 100%. Table excludes the business loss limitation, which could not be estimated at the return level with available data. Adjusted gross income is federal adjusted gross income. Tax liability is income tax after credits. Results are shown for filers of form 760. Figures may not sum due to rounding. Source: EY analysis.



**Table A-5. Estimated impact of individual tax reform provisions of the TCJA on the decision to itemize or claim the standard deduction, number of returns**  
*Residents only; thousands of returns*

Adjusted gross income	Itemized deduction		Standard deduction		Number switching from itemized to standard
	Number of returns (Pre-TCJA 2018)	Number of returns (Post-TCJA 2018)	Number of returns (Pre-TCJA 2018)	Number of returns (Post-TCJA 2018)	
Less than \$0	5	2	11	15	3
\$0 under \$25,000	70	18	933	985	51
\$25,000 under \$50,000	165	49	597	712	116
\$50,000 under \$75,000	194	74	281	401	120
\$75,000 under \$100,000	186	78	145	253	108
\$100,000 under \$125,000	166	70	67	163	96
\$125,000 under \$150,000	131	61	26	96	70
\$150,000 under \$175,000	98	49	11	60	48
\$175,000 under \$200,000	71	39	5	37	32
\$200,000 under \$250,000	92	54	4	41	38
\$250,000 under \$500,000	111	72	1	40	39
\$500,000 under \$1,000,000	20	14	*	6	6
More than \$1,000,000	6	5	*	1	1
<b>All returns</b>	<b>1,312</b>	<b>584</b>	<b>2,083</b>	<b>2,810</b>	<b>728</b>

\* Fewer than 500 returns.

Note: Adjusted gross income is federal adjusted gross income. Results are shown for filers of form 760. Figures may not sum due to rounding.

Source: EY analysis.

**Table A-6. Estimated impact of individual tax reform provisions of the TCJA on the decision to itemize or claim the standard deduction, amount of deduction**  
*Residents only; millions of dollars*

Adjusted gross income	Itemized deduction		Standard deduction		Net change in itemized and standard deductions
	Deduction amount (Pre-TCJA 2018)	Deduction amount (Post-TCJA 2018)	Deduction amount (Pre-TCJA 2018)	Deduction amount (Post-TCJA 2018)	
Less than \$0	131	70	44	58	-51
\$0 under \$25,000	1,652	769	2,567	3,175	-274
\$25,000 under \$50,000	2,209	1,074	2,266	2,599	-803
\$50,000 under \$75,000	2,943	1,554	1,274	1,699	-963
\$75,000 under \$100,000	3,196	1,665	743	1,256	-1,017
\$100,000 under \$125,000	3,053	1,630	378	875	-926
\$125,000 under \$150,000	2,548	1,494	153	532	-675
\$150,000 under \$175,000	2,051	1,304	80	337	-490
\$175,000 under \$200,000	1,629	1,083	35	213	-368
\$200,000 under \$250,000	2,298	1,645	41	238	-456
\$250,000 under \$500,000	3,345	2,567	52	232	-597
\$500,000 under \$1,000,000	940	698	2	32	-211
More than \$1,000,000	609	437	*	8	-161
<b>All returns</b>	<b>\$26,607</b>	<b>\$15,992</b>	<b>\$7,631</b>	<b>\$11,254</b>	<b>-\$6,993</b>

\* Less than \$500,000 in magnitude.

Note: Adjusted gross income is federal adjusted gross income. Results are shown for filers of form 760. Figures may not sum due to rounding.

Source: EY analysis.

**Table A-7. Estimated impact of individual tax reform provisions of the TCJA on the decision to itemize or claim the standard deduction, tax benefit amount**  
*Residents only; millions of dollars*

Adjusted gross income	Itemized deduction			Standard deduction			Net change in tax benefit
	Amount of tax benefit (Pre-TCJA 2018)	Amount of tax benefit (Post-TCJA 2018)	Change in tax benefit	Amount of tax benefit (Pre-TCJA 2018)	Amount of tax benefit (Post-TCJA 2018)	Change in tax benefit	
Less than \$0	*	*	*	*	*	*	*
\$0 under \$25,000	5	3	-2	66	63	-2	-5
\$25,000 under \$50,000	99	43	-56	122	139	17	-39
\$50,000 under \$75,000	151	77	-75	73	96	23	-52
\$75,000 under \$100,000	176	90	-86	43	72	29	-57
\$100,000 under \$125,000	170	91	-79	22	50	29	-50
\$125,000 under \$150,000	145	85	-60	9	31	22	-38
\$150,000 under \$175,000	117	75	-43	5	19	15	-28
\$175,000 under \$200,000	93	62	-31	2	12	10	-21
\$200,000 under \$250,000	132	94	-37	2	14	11	-26
\$250,000 under \$500,000	192	147	-44	3	13	10	-34
\$500,000 under \$1,000,000	54	40	-14	*	2	2	-12
More than \$1,000,000	35	25	-10	*	*	1	-9
<b>All returns</b>	<b>\$1,368</b>	<b>\$832</b>	<b>-\$536</b>	<b>\$346</b>	<b>\$512</b>	<b>\$166</b>	<b>-\$370</b>

\* Less than \$500,000 in magnitude.

Note: Adjusted gross income is federal adjusted gross income. Results are shown for filers of form 760. Figures may not sum due to rounding.

Source: EY analysis.

**Table A-8. Estimated impact of individual tax reform provisions  
of the TCJA on the state and local tax deduction**  
*Residents only*

<b>Adjusted gross income</b>	<b>Number of returns (Pre-TCJA 2018) (thou)</b>	<b>Number of returns (Post-TCJA 2018) (thou)</b>	<b>Change in number of returns claiming deduction (thou)</b>	<b>Amount of deduction (Pre-TCJA 2018) (\$mil)</b>	<b>Amount of deduction (Post-TCJA 2018) (\$mil)</b>	<b>Change in amount of deduction (\$mil)</b>
Less than \$0	2	1	-1	9	2	-7
\$0 under \$25,000	40	11	-29	40	11	-29
\$25,000 under \$50,000	144	41	-103	250	70	-180
\$50,000 under \$75,000	182	68	-114	522	185	-337
\$75,000 under \$100,000	178	72	-106	727	273	-454
\$100,000 under \$125,000	161	66	-95	853	299	-553
\$125,000 under \$150,000	126	56	-70	826	275	-550
\$150,000 under \$175,000	93	45	-48	725	216	-509
\$175,000 under \$200,000	66	35	-32	603	157	-446
\$200,000 under \$250,000	84	46	-37	913	192	-721
\$250,000 under \$500,000	90	51	-39	1,429	190	-1,239
\$500,000 under \$1,000,000	12	7	-6	373	25	-347
More than \$1,000,000	3	2	-1	212	7	-205
<b>All returns</b>	<b>1,182</b>	<b>501</b>	<b>-682</b>	<b>\$7,480</b>	<b>\$1,903</b>	<b>-\$5,577</b>

\* Less than \$500,000 in magnitude.

Note: Adjusted gross income is federal adjusted gross income. Results are shown for filers of form 760.

Figures may not sum due to rounding.

Source: EY analysis.