



COMMONWEALTH OF VIRGINIA

**HOUSE OF DELEGATES**

RICHMOND

**APPROPRIATIONS COMMITTEE**

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BARRY D. KNIGHT, CHAIRMAN  
ANNE E. OMAN, STAFF DIRECTOR

**VIA Email and Regular Mail**

July 19, 2023

The Honorable Janet D. Howell  
Senate Finance & Appropriations Comm  
P.O. Box 10527  
Alexandria, VA 22310

The Honorable George L. Barker  
Senate Finance & Appropriations Comm  
P.O. Box 2608  
Reston, VA 20195

Dear Co-Chairs Howell and Barker:

I continue to believe we can get our jobs done and deliver a budget for all Virginians. In the spirit of compromise, I'm writing to present a new offer that addresses our mutual concern about reining in on-going expenditures – whether they be tax reductions or expanded programs – while maintaining a structurally balanced budget as we enter the upcoming biennium.

We've spoken many times about the framework of an agreement that we had reached before the end of the Session. While not a perfect agreement, it provided equal portions in tax relief for hard working Virginia families and additional investments in core priorities identified by the Senate Democratic caucus. Additionally, it left more than \$1.5 billion open for spending on mandatory items and our shared priorities.

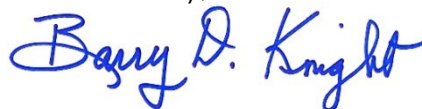
Your last offer to the House contained \$907 million in one-time tax relief. In keeping with that proposal, I have modified the earlier House tax relief proposals to focus more heavily on tax rebate checks while maintaining smaller ongoing tax relief to address shortfalls in our tax system. As you can see on the attached proposal, for FY 2024 the House would propose a package between \$900 million and \$1.0 billion, of which 80% is one-time spending in FY 2024. The largest item, as you requested, would be rebate checks – in this case \$175.00 for single filers and \$350.00 for joint filers. The remaining \$200 million would be used to increase the standard deduction for all Virginians to \$9,000 for single filers and \$18,000 for joint filers, increase income tax progressivity by raising the threshold for the 5.75% income tax rate from \$17,000 to \$21,000, eliminate the age restriction on the mutually agreed upon military pension subtraction, and continue our efforts to increase the interest exemption for businesses from 30% to 50%. The details of the proposal are attached.

This offer represents major movement on the part of the House conferees. In return, the House would ask that a similar portion of the Senate spending - \$800 million – be limited to one-time expenditures. If we can reach agreement on this framework, I believe the remaining pieces of the package will fall into place quite easily as we have many shared priorities, including enhancing the teacher and state employee pay raise that went into effect on July 1, meeting

critical needs in the mental health arena, fully funding Medicaid and core K-12 programs and addressing our public safety, economic development and natural resources needs. In addition, I propose reinstating the back-to-school sales tax holiday which sunset last year.

As the Governor's statement on year-end revenues yesterday indicates, we are in a strong financial position and have the available revenues to finance one-time investments without imperiling our ongoing fiscal stability. Neither side is going to get everything they want, but if we continue to work in the same spirit of compromise that served us well last year, Virginians will be proud of the package of amendments we adopt.

Sincerely,



The Honorable Barry D. Knight  
Chairman, House Appropriations Committee

CC: The Honorable Stephen D. Newman  
The Honorable Terry L. Austin  
Ms. Anne E. Oman  
Ms. April Kees

## House Revised Proposal: Tax Policy Changes

Tax Policy	FY 2024	FY 2025
One time rebate \$175/350	\$ (797.29)	
Standard Deduction (\$9,000/\$18,000 TY24)	\$ (94.90)	\$ (200.30)
Increase top bracket from \$17k to \$21k (TY 24)	\$ (50.00)	\$ (106.70)
Military Subtraction (Eliminate age requirement)	\$ (37.80)	\$ (33.40)
Section 163j interest deduction - 30% to 50%	\$ (10.30)	\$ (22.60)
Conformity Offset	\$ 23.40	\$ -
<b>Total</b>	<b>\$(966.89)</b>	<b>\$(339.41)</b>
One-Time	\$ (773.89)	
Ongoing	\$ (193.00)	\$ (339.41)
Income Bracket	Tax Rate	
\$0 - \$3K	2%	
3K - 5K	3%	
5K -20K	5%	
\$21K +	5.75%	

Note: Figures have been verified by the Department of Taxation