Federal Tax Cuts and Jobs Act, the *Wayfair* Decision, and Related Tax Policy Issues for 2019

Annual Meeting

November 15, 2018

Discussion Topics

Major General Fund Revenue Sources
Virginia Taxes 101

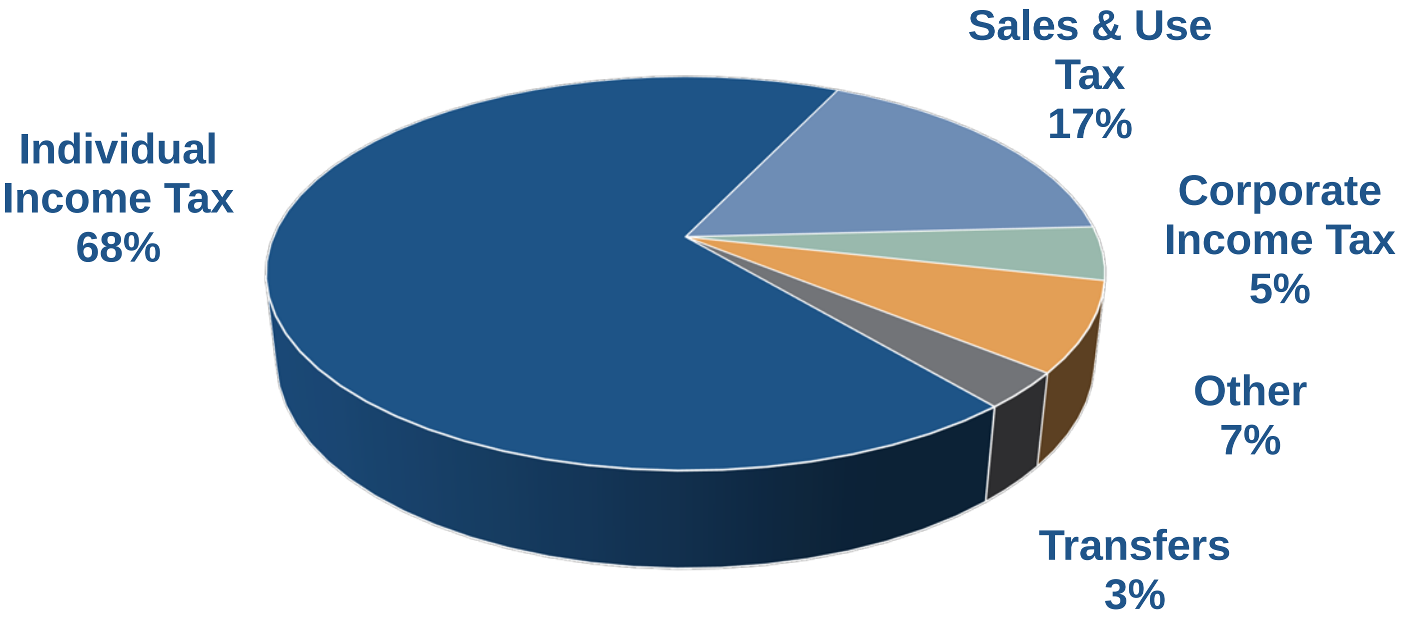
Tax Cuts and Jobs Act of 2017
State Impact of Federal Tax Reform & Potential Policy Responses

South Dakota v. Wayfair
What the Supreme Court Decision Means for Virginia

Transportation
Internet Sales Tax and Transportation Funding

Virginia's General Fund is Dependent on Income Tax

FY 2019 General Fund Resources = $20.8 billion



Income Tax is Applied on a Graduated Basis

Individual Income Tax Brackets

- Virginia applies a graduated income tax rate on the net income of individuals.
- Current individual income tax rates:

Virginia Taxable Income	Income Tax Rate
First $3,000	2.0%
$3,001 to $5,000	3.0%
$5,001 to $17,000	5.0%
$17,001 and higher	5.75%

Individual Income Tax Liability is Based on Virginia Adjusted Gross Income

Computing the Tax

Start: Federal Adjusted Gross Income (FAGI)

+ Add-back certain items excluded from FAGI but taxable in Virginia (e.g. interest income on federally exempt bonds, etc.).

– Subtract items included in FAGI but not taxable in Virginia (e.g. certain military pay, etc.).

= Virginia Adjusted Gross Income

– Deductions (standard or itemized)

– Exemptions (personal, dependents, aged and/or blind)

= Virginia Taxable Income

x Tax Rates

= Amount of Tax

– Tax Credits (e.g. Historic Rehabilitation Tax Credit, etc.)

= Net Tax Liability

Sales Tax Rates

- In general, all sales, leases, and rentals of tangible personal property in or for use in Virginia, as well as accommodations and certain taxable services, are subject to the sales and use tax.
- General sales tax rates (state and local):
  - Historic Triangle: 7.0 percent
  - Hampton Roads and Northern Virginia: 6.0 percent
  - Everywhere else: 5.3 percent
  - Food for home consumption: 2.5 percent
- In addition to being the second largest GF source, sales tax is the primary funding source for transportation.
- Exemptions exist to prevent "tax pyramiding" or double taxation (e.g. sales for resale, industrial materials for production, etc.), or to achieve certain policy objectives (e.g. prescription drugs, research and development, etc.).

Majority of Sales Tax Revenues are Designated for Specific Purposes

How Sales Tax Revenues are Distributed

- Sales and use tax revenues are distributed according to a formula with 1.0 percent going back to the localities where the sales were made.

General Sales Tax	
General Fund	2.025%
K-12 Education	1.375%
Transportation	0.9%
Local	1.0%
Total	5.3%

- An additional 0.7 percent regional tax is collected in Hampton Roads and Northern Virginia which goes to the respective regional transportation authorities.
- An additional 1.0 percent regional tax is collected in the Historic Triangle. Of that, 0.5 percent is used for tourism promotion, and 0.5 percent is distributed back to the localities.

Virginia is Less Dependent on Corporate Income Than Many States

- Virginia applies a flat rate of 6.0 percent to the net income of corporations doing business in Virginia.
- Less than two percent of taxpayers account for 85 percent of corporate tax revenue.
- Comparison to other states:
  - 47 states and D.C. currently levy a tax on corporate income.
  - 21 states levy a flat rate higher than 6 percent.
  - 13 states have multiple tax brackets that tend to have overall rates higher than 6 percent.
  - 10 states levy a flat rate equal to or less than 6 percent.
- Not all corporations are subject to the corporate income tax. Banks and trust companies are subject to a bank franchise tax, insurance companies are subject to an insurance premiums license tax, and telecommunications companies and electric suppliers are subject to a minimum tax.

Multi-State Corporations Must Apportion Income for State Tax Purposes

- A corporation that does business in more than one state must apportion income among the states where it does business to determine the amount of taxes due in each state. In general, corporations that conduct business in Virginia are required to use the statutory three-factor apportionment method.*
  - Property Factor (25%): Virginia property as a proportion of corporation's total property.
  - Payroll Factor (25%): Virginia payroll as a proportion of the corporation's total payroll.
  - Double-weighted Sales Factor (50%): Virginia sales as a proportion of the corporation's total sales.
- Businesses organized as pass-through entities, such as partnerships, limited liability companies, and "S corporations" are not subject to the tax. Instead, income is passed-through to individual partners, members, or shareholders, and is subject to the individual income tax.

** Special factors exist for financial corporations, railroads, motor carriers, retailers and certain data centers and manufacturers.*

Other Major Sources of General Fund Revenue

- Recordation, suits, and probate taxes.
  - Virginia imposes a recordation tax of 25 cents per $100 of the consideration or actual value of property conveyed (up to $10 million; a sliding scale applies to values over $10 million).
  - A grantor tax is also assessed at 50 cents for every $500 of the value, exclusive of any liens or encumbrances.
  - Localities may impose an additional recordation tax up to one-third of the state tax.
  - Probate tax is 10 cents per $100 for estates over $15,000.
- Insurance premiums license tax.
  - Insurance companies and surplus lines brokers are assessed an insurance premiums license tax instead of the corporate income tax.
  - Generally levied at 2.25 percent of direct gross premium income.
  - One-third of annual collections is dedicated to transportation.

Tax Cuts and Jobs Act of 2017

Major Individual Provisions

- Seven (generally lower) brackets: 10%, 15%, 22%, 25%, 32%, 35%, and 37%.
- Standard deduction increased from $6,350 to $12,000 for single filers, and from $12,700 to $24,000 for married/joint filers; personal exemptions eliminated.
- Certain itemized deductions suspended or limited.
- State and local tax (SALT) deduction capped at $10,000.
- Cap on mortgage interest deduction reduced from $1 million in mortgage debt to $750,000; no longer available for home equity lines.
- Threshold for medical expenses deduction reduced from 10 percent of adjusted gross income to 7.5 percent.
- Repeal of overall limitation on itemized deductions.
- 529 education savings account expanded to include K-12 tuition.
- **Most individual provisions expire after taxable year 2025.**

Tax Cuts and Jobs Act of 2017

Major Business Provisions

- Significantly lower 21 percent flat corporate tax rate.
- A new 20 percent deduction for "qualified business income" of pass-through businesses.
- Interest deduction limited to 30 percent of a business's adjusted income.
- Business net operating losses (NOLs) limited to 80 percent of taxable income and carrybacks are generally disallowed.
- IRC 179 business expense deduction increased from $500,000 to $1 million of qualifying property.
- Other business provisions (research expense amortization, domestic production activities deduction, like-kind exchanges, employer fringe benefits, etc.).
- **Business provisions are permanent (with a few exceptions).**

Tax Cuts and Jobs Act of 2017

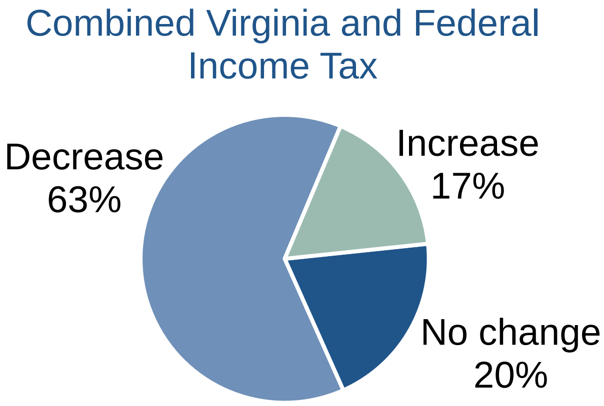
Major International Provisions

- Deduction for dividends received from certain foreign corporations.
- Transition tax on deferred foreign earnings: 15.5 percent (cash)/8 percent (non-cash).
- Requirement that shareholders of certain controlled foreign corporations include their pro rata share of Global Intangible Low-Tax Income (GILTI) in gross income.
- New deduction for "foreign-derived intangible income" (FDII).

Tax Cuts and Jobs Act of 2017

Virginia Impact

- Most Virginians will see either a **net decrease** or **no change** in their **combined** federal and state tax liability as a result of the federal Tax Cuts and Jobs Act (TCJA).
- However, many taxpayers who save on federal taxes may owe more on their state returns.
- This is primarily because limitations on itemized deductions and the increase in the standard deduction at the federal level will induce more taxpayers to claim the standard deduction on their state returns.
  - Taxpayers are required to claim the same type of deduction (standard or itemized) on their Virginia returns.



Source: Virginia Secretary of Finance, August 17, 2018; Chainbridge Software, LLC.

Estimated Revenue Impact of the TCJA

Estimated Virginia General Fund Revenue Impact

FY 2019 to 2026

($ in millions)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26*
Individual Provisions	$532.1	$443.8	$466.7	$492.5	$520.0	$546.1	$573.5	$367.7
Business Provisions	29.4	114.6	181.5	300.3	417.2	398.2	363.1	365.3
International Provisions	32.6	52.7	5.5	5.8	6.0	6.3	6.5	6.8
Total, All Provisions	$594.2	$611.1	$653.7	$798.7	$943.2	$950.6	$943.1	$739.8

***FY26 includes a partial year impact from the expiration of TCJA individual provisions. The estimated impact of the individual provisions is reduced to less than $20 million in FY27.**

Source: Virginia Department of Taxation; Chainbridge Software, LLC.

- The Department of Taxation estimates that 26 percent of Virginians will see an increase in their <u>state tax</u> liability as a result of the TCJA.

What is Conformity?

- Conformity is the adoption of federal definitions of income. It **does not** include adoption of federal tax rates, brackets, exemption amounts, deductions or credits.
  - For individuals, conformity applies to the calculation of federal adjusted gross income.
  - For corporations, conformity applies to the calculation of federal taxable income.
- Each year the General Assembly passes legislation to bring Virginia into conformity with federal tax law as of a specific date (sometimes with a few specifically identified exceptions).
- Potential tax policy changes in response to the TCJA (such as adjusting rates, changing how Virginia taxpayers take deductions on their state returns, etc.) may be approached separately from conformity.

Deconforming Still Provides Additional Revenue

- Deconforming with the TCJA would necessitate additional calculations and modifications and make it more difficult for taxpayers to file a timely return for TY 2018.
- If Virginia does not advance the date of conformity to adopt the TCJA changes, there would still be a positive revenue impact (i.e. net tax increase):

Fiscal Year	Deconform	Conformity
FY 2019	$216.6 million	$594.1 million
FY 2020	$223.8 million	$611.1 million
FY 2021	$200.3 million	$653.7 million

Source: Virginia Department of Taxation.

- This is primarily due to taxpayers switching to the standard deduction on their federal return, requiring them to also claim the standard deduction on their Virginia return ($182 million attributable to taxable year 2018).

The Tax Reform Act of 1986 Presented Similar Policy Questions

Federal Changes	Virginia's Response
• Consolidated individual tax brackets from fifteen to four. • Lowered top individual tax rate; raised bottom rate. • Increased standard deduction and personal exemption. • Increased earned income tax credit. • Lowered top corporate rate; broadened definition of taxable income. • Increased corporate alternative minimum tax.	• Raised income threshold for top bracket. • Raised the filing threshold. • Increased standard deduction and personal exemption. • Modified deductions for aged and blind taxpayers. • Repealed accelerated depreciation modifications under ACRS. • Created special funds to capture excess tax reform revenues to smooth transition.

Potential Policy Responses for the 2019 Session

Policy Option	Estimated Revenue Reduction	Comments
Increase standard deduction (currently $3,000 single / $6,000 married)	$3,000 increase ($6,000 for married filers) = approximately $440 million.	Virtually unchanged since 1989 and not indexed to inflation. Benefits all taxpayers who claim the standard deduction.
Nonrefundable tax credit to offset federal standard deduction modification	$150 credit ($300 married) = $300 million (if limited to filers who take standard deduction).	Effect is similar to increasing standard deduction but is temporary (with a sunset to coincide with expiration of federal changes).
Increase filing threshold from $11,950 to $15,000 ($23,900 to $30,000 for married filers)	Approximately $50 million.	Benefits low-income taxpayers. 130,000 fewer returns filed.
Increase Personal Exemption (currently $930 for each taxpayer and dependent)	$100 increase = approximately $35 million.	Before TCJA reduced federal exemption to zero, VA exemption amount had changed little in comparison to the federal exemption, which was indexed to inflation.

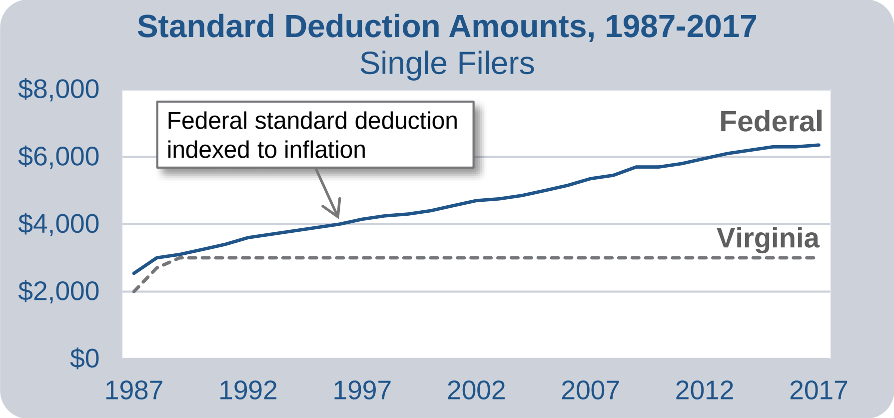
Source: Virginia Department of Taxation; SFC staff estimates.

Potential Policy Responses for the 2019 Session

Policy Option	Estimated Revenue Reduction	Comments
Adjust Tax Brackets	Raise each by $1,000 = approximately $108 million. (top bracket ≈ $25 million).	Top bracket was increased in 1987; otherwise unchanged since 1972.
Eliminate Bottom Two Tax Brackets	Approximately $380 million.	Benefits low-income taxpayers.
Allow State-Specific Itemized Deductions	Approximately $370 million.	May create compliance challenges at the state level.
Make the Earned Income Tax Credit (EITC) Refundable	Approximately $250 million.	Would impact approximately 600,000 taxpayers.
Phase-out the Accelerated Sales Tax (AST)	$200 million total one-time impact. Can be phased-in.	Example: Increasing sales threshold from $4M to $20M and from $20 to $100M both have $50 million (+/-) one-time impacts.
Lower Corporate Tax Rate (currently 6.0%)	0.25% reduction = approximately $40 million.	Simple way to provide tax relief to corporate taxpayers. Unchanged since 1972.

Source: Virginia Department of Taxation; SFC staff estimates.

Option: Increase Standard Deduction



Revenue Impact of Increasing Standard Deduction		
Single	Married	Impact ($)
$3,000	$6,000	$0; Current Law
$4,000	$8,000	($143 million)
$5,000	$10,000	($289 million)
$6,000	$12,000	($440 million)

Source: IRS; Virginia Department of Taxation.

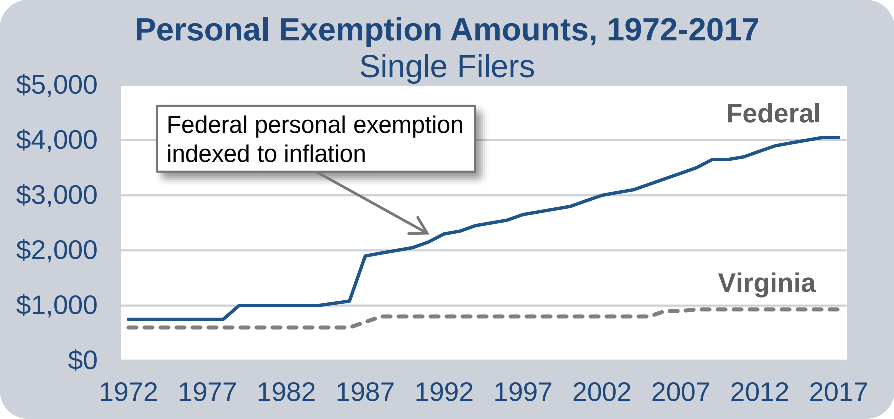
- The federal TCJA effectively doubled the federal standard deduction from $6,350 to $12,000 for single filers (and from $12,700 to $24,000 for married filers).
- Doubling the state standard deduction would reduce GF revenues by approximately $440 million each year.
- The state deduction increased for married filers in 2005 to remove the marriage penalty, but otherwise the deduction is unchanged since 1989.

Option: Temporary Tax Credit

Temporary Tax Credit to Offset Federal Standard Deduction Modification

- Nonrefundable income tax credit equal to $150 for single filers and $300 for married filers.
- Similar effect as increasing the Virginia standard deduction.
- Sunsets at end of taxable year 2025 to coincide with expiration of federal standard deduction modification.
- Limited to the amount of tax liability (nonrefundable); no carry forwards.

Option: Increase Personal Exemption



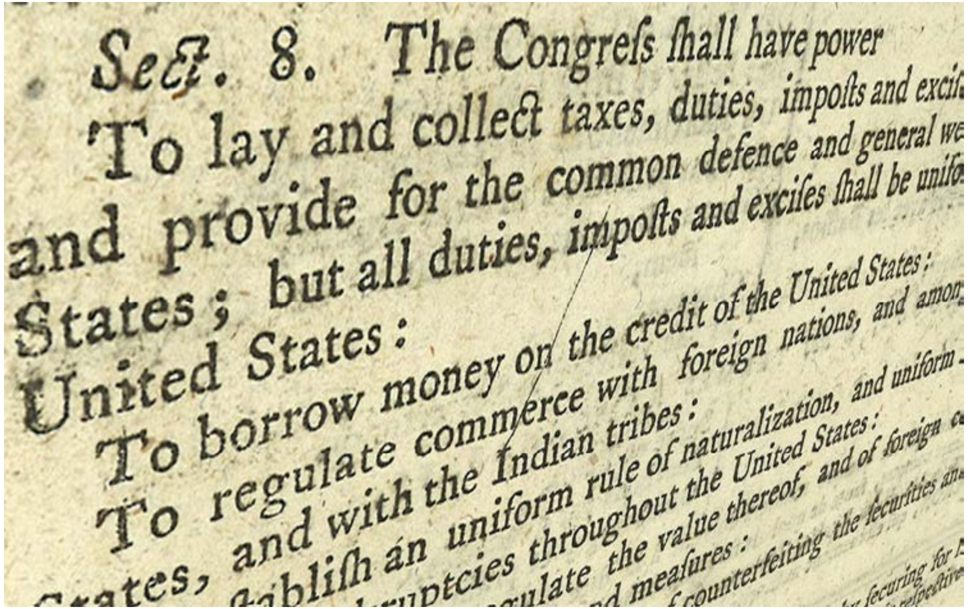
Revenue Impact of Increasing Personal Exemption	
Per Taxpayer / Dependent	Impact ($)
$930	$0; Current Law
$1,030	($35 million)
$1,130	($70 million)
$1,230	($105 million)

Source: IRS; Virginia Department of Taxation; SFC staff estimates.

- The federal TCJA reduced the federal personal exemption from $4,050 to $0 beginning in TY 2018.
- The state exemption remains unchanged at $930.
- In 1972 when the Virginia exemption was enacted, it was $600, equal to 80 percent of the $750 federal exemption, but state adjustments have not kept pace with federal changes.

Remote Sellers and the Commerce Clause

- **Article I, § 8**: Congress has the power to regulate commerce "among the several States."
- Dormant Commerce Clause implies that states can't:
  - Discriminate against interstate commerce; or
  - Impose an undue burden on interstate commerce.



States' Ability to Collect Sales Taxes Has Been Driven by Physical-Presence Nexus

- Supreme Court had previously held that states could only collect sales taxes from a seller with an in-state physical presence.
  - Otherwise, collection would impose an undue burden on interstate commerce.
- Two key challenges affirmed precedent:
  - *National Bellas Hess v. Illinois* (1967); and
  - *North Dakota v. Quill* (1992).
- Existing Virginia sales tax statutes are constructed around this physical-presence requirement.

South Dakota v. Wayfair Changed How Nexus is Determined

- The U.S. Supreme Court's *South Dakota v. Wayfair, Inc*. decision overturned the physical-presence rule that had applied to collecting sales tax on interstate sales.
  - Established nexus based on economic presence.
- The decision ***enables*** states to require online and out-of-state sellers—even those with no physical presence—to collect sales tax, so long as the state can demonstrate a connection based on something else, such as volume of in-state sales.
- The South Dakota law prompting the Supreme Court decision includes a number of important provisions, including:
  - Minimum thresholds and volumes ($100,000 in sales or 200 transactions);
  - Simplified collection process; and
  - No retroactivity.
- The *Wayfair* decision does not necessarily require these specific actions.
  - However, any legislation that does not address these parameters might not pass a court challenge.

Source: Virginia Division of Legislative Services.

Virginia's Nexus Law Has Facilitated Collections of Online Sales Taxes Since 2013

- Virginia's original "Amazon Agreement," SB 597 (Wagner) created the rebuttable presumption that an out-of-state dealer must register if a "commonly controlled person" maintains a distribution center, warehouse, fulfillment center, office, or similar location in Virginia that facilitates the delivery of property sold by the dealer to its customers.
  - Nexus based on physical presence,
  - Effective September 1, 2013, revenues collected since q2 FY 2014, and
  - Additional General Fund revenues of approximately $24 million annually.
- Expanded in 2017, SB 962 (Hanger) required out-of-state sellers who use Virginia fulfillment centers or warehouses owned/operated by a third party to register as dealers for the collection of retail sales and use tax.
  - Additional General Fund revenues of approximately $11 million.

HB 2313 Contemplated Additional Revenues from Remote Sellers

- Resulted in about $600 million in new annual state transportation revenues in FY18.
  - Increased state sales tax by 0.3 percent (excluding food / meds).
  - Converted the tax on gasoline from cents per gallon to a percentage of the average wholesale cost of a gallon.
  - Levied additional regional gasoline taxes and sales taxes in Hampton Roads and Northern Virginia.
  - Levied new regional transient occupancy and recordation taxes in Northern Virginia.
  - Increased the portion of sales and use tax collections dedicated to transportation.
- Contingent provisions of HB 2313 allow Virginia to compel remote sellers to collect sales tax <u>if authorized by Congress</u>.
  - At the time the estimated revenues from remote sellers was $180 million.
  - Current estimates are likely much lower.

Source: The Commonwealth Institute, "Destination Unknown: Navigating Virginia's New Transportation Funding Package – and Potential Potholes," April 2013.

HB 2313 Contains Multiple Contingent Provisions Related to Remote Sellers

7. That the provisions of this act amending §§ 58.1-601, 58.1-602, 58.1-605, 58.1-606, 58.1-612, as it is currently effective and as it may become effective, 58.1-615, 58.1-625, as it is currently effective and as it may become effective, 58.1-635, 58.1-638.2, and subdivision 5 of § 58.1-604, and repealing § 58.1-609.13, <u>shall not become effective unless the **federal government enacts legislation** that grants states that meet minimum simplification requirements specified in such legislation the authority to compel remote retailers to collect sales and use tax on sales made into the respective state</u>. If the federal government enacts such legislation, then such amendments and the repeal of § 58.1-609.13 shall become effective 30 days after the effective date of the federal legislation.

15. That <u>if the **federal government enacts legislation** on or after January 1, 2015, that grants states that meet minimum simplification requirements specified in such legislation the authority to compel remote retailers to collect sales and use tax on sales made into the respective state</u>, then the provisions of § 58.1-2217 shall revert to the provisions of those statutes as set forth in the first enactment on the January 1 immediately following the calendar year in which such federal legislation was enacted.

Collection of Remote Sales Taxes Would Require General Assembly Action

- The *Wayfair* decision does not automatically trigger the HB 2313 contingencies because it does not involve enactment of federal legislation.
- General Assembly action would be required to compel collection from remote sellers that are not already remitting.
    - Existing statute not constructed to establish nexus with remote sellers that do not have a physical presence.
    - Requiring remote sellers to collect the tax under existing statute would almost certainly be challenged and may be found invalid under *Wayfair.*

Future Congressional Action is Possible

- Potential that *Wayfair* ruling could prompt Congressional action.
  - Establish standards for states (e.g. minimum sales volume threshold).
  - Require uniform standards for exemptions.
  - Require statutory physical presence.
- Federal action would trigger enactment 7, which would automatically become effective 30 days after adoption by Congress of authorizing legislation.
  - Existing statutes specify distribution of sales tax collections attributable to remote sellers:
    - 2.25 percent returned to localities (incl. current local 1.0 percent; 0.50 percent specified for transportation use).
    - Remainder transferred to Transportation Trust Fund.
  - Wholesale tax on motor fuels reduced to 3.5 percent.
  - Does not increase the percentage of general fund dedicated to transportation.

Additional Online Sales Tax Revenue is Uncertain

($ in millions)	Rate	Revenue
GF Unrestricted	**2.025%**	**$58.7**
Direct Public Education	1.375%	39.9
School Age Population	1.125%	32.6
SOQ Composite Index	0.25%	7.3
Transportation	0.90%	26.1
HMOF	0.669%	19.4
Airports	0.012%	0.6
Ports	0.021%	0.6
Intercity Rail	0.050%	1.5
Public Transit	0.149%	4.3
Total State	**4.30%**	**$124.7**
Local	**1.00%**	**$29.0**
Regional		
Northern Va. Reg. Transp.	0.70%	6.6
Hampton Roads Reg. Transp.	0.70%	4.0
Historic Triangle	1.00%	0.6

Based on $2.9 billion in additional sales volume.

- The Department of Taxation recently reduced the revenue estimate from $250 million to approximately $165 million annually (total state and local).
  - **Nineteen of the 20 largest e-retailers—including Amazon, Walmart and Apple—already remit.**
  - **GAO indicates that states already collect 80 percent of revenue available from remote sellers.**
- Year-to-date FY19 results indicate sales tax collections tracking **well ahead** of forecast.
  - **Recent growth significantly outpaces collections for the close of FY 18.**
- Given the uncertainty in forecasting how much actual additional revenue is available through online sales, the General Assembly may consider directing TAX to reserve additional sales tax revenues from remote sellers to a separate account.

Triggering HB 2313 Provisions Would Result in $110 Million Loss in Transportation Revenues

- **If HB 2313 is implemented with $165 million in new revenue:**
- Transportation would lose approximately $110 million annually.
  - Gas Tax would go down from 5.1% to 3.5%.
  - Funds would be distributed in a manner that is not most advantageous, for example construction would lose around $70 million and transit would lose $35 million per year.
- General Fund would receive a net $50.7M.
- **If run through the current sales tax formula:**
  - Gas tax is not reduced from 5.1% to 3.5%.
  - Transportation would receive $26.1 million.
  - GF, education and local would receive $127.6 million.

($ in mil.)	HB 2313 Implemented		Current Sales Tax Formula	
	Transp. $	GF/Ed & Local $	Transp. $	GF/Ed & Local $
Online Sales	$103.0	$50.7	$26.1	$127.6
Gas Tax	($212.0)	-	-	-
TOTAL	**($109)**	**$50.7**	**$26.1**	**$127.6**

Options for the 2019 Session

Sales Taxes

- In 2012, the General Assembly authorized collection of sales taxes from online retailers with physical-presence nexus.
- Statutes have evolved to keep pace with changing technical capacity and regulatory environment.
    - Contemplated federal regulatory action around Marketplace Equity Act.
    - Provisions of 2013 legislation are antiquated and deleterious to transportation revenues.
- Uncertain revenue impact as dealers begin voluntary compliance with *Wayfair.*
    - General Assembly may wish to consider options to reserve additional revenues from remote sellers in a separate account and make decisions on distribution after revenue impact is known.
    - However, it may be difficult to determine what portion of additional revenue is attributable to *Wayfair* versus ordinary growth and those dealers with nexus under existing law.
- Legislation should be introduced to compel collections from remote sellers.
    - Current enactments directing the allocation of remote seller revenues in HB 2313 should be repealed.

Options for the 2019 Session

Income Taxes

- To avoid the need for taxpayers to make complicated adjustments to their 2018 tax returns, legislation advancing the date of conformity should be considered as soon as possible.
- Tax policy changes can be considered separately from conformity.
- Federal tax reform provides a net tax reduction to most Virginians; however, because of changes in federal law, some taxpayers will see an increase in their state tax bill.
  - This is mainly because limitations on itemized deductions and the increase in the standard deduction at the federal level will induce more taxpayers to claim the standard deduction on their state returns.
- Options can be considered to mitigate increases in taxpayers' state income tax bills.

Appendix

Glossary of Selected Tax Terms

- Adjusted Gross Income (AGI): Gross income reduced by adjustments to income, before exemptions and deductions are applied.
- Deduction: Deductions are expenses taxpayers are permitted to subtract from income before figuring the amount of tax due.
- Exemption: An exemption reduces the income subject to tax. Taxpayers can claim exemptions for themselves, their spouses, and eligible dependents. Virginia also has additional exemptions for the blind and for individuals over age 65.
- Tax Credit: Tax credits reduce a taxpayer's tax liability dollar-for-dollar. Some credits are refundable, meaning the amount of the credit is not limited by the taxpayer's tax liability; rather, the excess is refunded to the taxpayer.
- Use Tax: Counterpart to the retail sales tax. Consumers are required to pay a Use Tax if the sales tax is not collected at the time of the transaction.

Option: Phase-Out Accelerated Sales Tax

- Current threshold set by the 2018 Budget is $4.0 million.
  - Dealers with sales at or above this threshold are required to make an accelerated payment.
- Increasing the sales threshold creates a one-time GF revenue reduction.
  - E.g., increasing from $4.0 million to $5.0 million results in a one-time GF reduction of $6.6 million ($199.7 minus $193.1).
- Eliminating the AST entirely would reduce GF revenues $199.7 million.

Threshold (Annual Sales)	FY18 GF Rev ($ millions)	Dealers Affected
$4 million or more	$199.7	3,062
$5 million or more	$193.1	2,453
$10 million or more	$172.4	1,281
$20 million or more	$150.2	650
$30 million or more	$135.0	416
$40 million or more	$125.2	298
$50 million or more	$117.5	227
$100 million or more	$98.0	112
$500 million or more	$57.5	19
$1 billion or more	$44.6	9

Source: Virginia Department of Taxation.

States Requiring Remote Sellers to Collect Sales Tax

Alabama ($250,000 in in-state sales)	**Massachusetts** (100 transactions or $500,000 in in-state sales)	**North Carolina** (200 transactions or $100,000 in in-state sales)	**South Carolina** ($100,000 in in-state sales)
Hawaii (200 transactions or $100,000 in in-state sales)	**Michigan** (200 transactions or $100,000 in in-state sales)	**North Dakota** (200 transactions or $100,000 in in-state sales)	**South Dakota** (200 transactions or $100,000 in in-state sales)
Illinois (200 transactions or $100,000 in in-state sales)	**Minnesota** (100 transactions or $100,000 in in-state sales in at least 10 transactions)	**Ohio** ($500,000 in in-state sales)	**Vermont** (200 transactions or $100,000 in in-state sales)
Indiana (200 transactions or $100,000 in in-state sales)	**Mississippi** ($250,000 in in-state sales)	**Oklahoma** ($250,000 in in-state sales)	**Washington** (200 transactions or $100,000 in in-state sales)
Kentucky (200 transactions or $100,000 in in-state sales)	**Nevada** (200 transactions or $100,000 in in-state sales)	**Pennsylvania** ($10,000 in in-state sales)	**Wisconsin** (200 transactions or $100,000 in in-state sales)
Maryland (200 transactions or $100,000 in in-state sales)	**New Jersey** (200 transactions or $100,000 in in-state sales)	**Rhode Island** (200 transactions or $100,000 in in-state sales)	

Source: Bloomberg Tax, November 1, 2018.

Federal Personal Income Tax Rates

Income Bracket		Income Tax Rate	
Single	Married / Joint	TY 2017	TY 2018 - 25
$0 to $9,525	$0 to $19,050	10%	10%
$9,525 to $38,700	$19,050 to $77,400	15%	12%
$38,700 to $82,500	$77,400 to $165,000	25%	22%
$82,500 to $157,500	$165,000 to $315,000	28%	24%
$157,500 to $200,000	$315,000 to $400,000	33%	32%
$200,000 to $500,000	$400,000 to $600,000	33% to 35%	35%
$500,000 and higher	$600,000 and higher	39.6%	37%