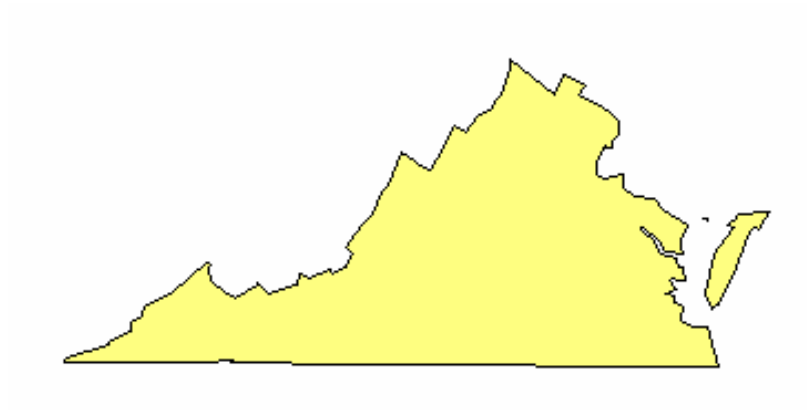


State Handbook of Economic, Demographic, and Fiscal Indicators 2008

Virginia



by David Baer

**PUBLIC POLICY INSTITUTE
AARP**

Introduction

The *State Handbook of Economic, Demographic, and Fiscal Indicators 2008* represents the seventh edition of the state handbook series. We produce a new updated handbook biennially. It is an easy-to-use reference book for anyone in search of up-to-date information about state economic, demographic, and fiscal conditions. Policymakers, public officials, and policy analysts will find useful data on such topics as population, poverty rates, per capita state personal income, state and local revenues, expenditures, tax rates, and property tax relief programs. Gender and age comparisons are provided for some of the data. Throughout the book we use the most current data available.

This handbook facilitates state-by-state and state-national comparisons, which can serve a variety of purposes. For example, a state's tax burden can be compared with the national average or with that of other states in the region. Per capita state personal income, unemployment, and median household income can be used to assess how residents in one state fare vis-à-vis those in another.

State Economic, Demographic, and Fiscal Summaries

This part of the book features economic, demographic, and fiscal summaries of the entire United States, each state, and the District of Columbia, along with summaries for the Virgin Islands and Puerto Rico. Most of the book's information is presented in this section. Users will find statistics on several major economic indicators, such as state personal income, median household income, and employment, as well as on population and poverty, distribution of household income, revenues, expenditures, tax rates, and debt ratio measures.

A section on state-specific property tax relief summarizes homestead exemptions and credits, circuit breakers, and tax deferral programs, all of which are defined in the source notes and explanations section at the end of the book. We did not include all of the property tax rates, because they can vary within states, and because data on the varying rates are not easily available. In addition, nominal rates often do not equal effective rates.

Homestead exemptions are reductions in the amount of assessed property value subject to taxation. When reporting homestead exemptions, we note the assessed property value; however, the value of the tax reduction depends not only on the assessed property value but also on the fractional assessment level. For example, the fractional assessment percentage in Alabama is 10 percent for residential property, so the *reported* exemption value of \$4,000 translates into an exemption of \$40,000 in fair market value (\$4,000 divided by 0.1). For this reason, assessed values must first be converted into fair market values before comparing homestead exemptions among states.

The section on state and local general revenues and expenditures shows revenues and expenditures per capita and as a percentage of state personal income, as well as average annual changes from 1995 to 2005. The year 2005 was the most current year for which we could obtain revenue and expenditure data from the U.S. Census Bureau. Comparisons of the amounts spent on expenditure programs can be made between each state and the national average. State and local debt information is provided on a per capita basis and per \$1,000 of personal income. The composition of short-term and long-term debt is also presented.

Since the *2006 Handbook*, the U.S. Bureau of Economic Analysis (BEA) no longer identifies a state's gross domestic product as "gross state product;" instead, BEA identifies a state's gross domestic product as "gross domestic product by state." Therefore, we replaced the words "gross state product" with the words "gross domestic product." However, gross state product and gross domestic product by state refer to the same exact measure of a state's economy.

Since we are now collecting poverty rate data from the American Community Survey (ACS) instead of the Current Population Survey (CPS), we no longer report the poverty rate in the economic indicators table (the first table in the state summaries). This is because we will not be able to make a 10-year comparison of state poverty rates until ACS has 10 years of poverty data.

First, with the health and long-term care state income tax exemptions and credits, we describe only those state tax exemptions and credits that are more generous than those allowed on the federal return. Therefore, we exclude tax exemptions, e.g., medical savings account deductions, which are found in federal adjusted gross income. Further, we exclude state itemized deductions, since we only want to describe tax exemptions and credits that benefit all taxpayers, not just those who itemize. Therefore, all the state health and long-term care tax provisions described here are available to all state filers, whether they itemize or not. Finally, since we are only interested in the general population, we exclude state health and long-term care tax breaks that are targeted specifically for self-employed persons.

Second, we describe how the state tax income base is related to the federal income tax base, such as federal adjusted gross income. The state income tax base may be unrelated to the federal base; it may link to federal adjusted gross income (AGI), federal taxable income, or to federal gross income. If state taxable income is unrelated to federal income, we say that the state's income tax base is not directly related to federal income.

Third, we highlight the minimum income levels at which taxpayers must file their state income taxes. Fifth, because some states have local expenditure limits which may affect the amount of property taxes collected, we describe how localities limit the growth of their expenditures.

Tables and U.S. Maps

The handbook provides tables and maps of selected state economic, demographic, and fiscal data (found primarily in the economic, demographic, and fiscal summaries part). This presentation of the data makes it easy to compare any or all states and the District of Columbia on such economic indicators as per capita income or gross state product. The tables provide state rankings for easy comparisons. We do not include Puerto Rico and the Virgin Islands because the data are either unavailable or not as current as state data, in the tables.

Data Sources and Explanations

Data sources and explanations of concepts or terms can be found in this part of the handbook. Most of the information in the handbook comes from the U.S. Bureau of the Census. This includes poverty rate by age group and household income by age group from the American Community Survey, median household income from the Current Population Survey, population estimates by age group based on decennial census data, and revenues and expenditures from the Census of Governments.

We collected economic data, such as per capita income and gross domestic product by state, from the U.S. Bureau of Economic Analysis and employment data from the U.S. Bureau of Labor Statistics. In addition, we obtained tax rate and property tax relief information from a survey of state and local government offices, such as state legislative offices and state and local assessors' offices.

For Puerto Rico and the Virgin Islands, we collected household income, poverty rate, and population data from U.S. decennial census data. Employment data came from the U.S. Bureau of Labor Statistics (Puerto Rico) and the Virgin Island's Bureau of Economic Research. Per capita income came from Puerto Rico's Department of the Treasury and the U.S. Census Bureau (Virgin Islands). Tax rates, general revenue, and general expenditure data came from Puerto Rico's Department of the Treasury, the Virgin Islands Office of Management and Budget (revenues), the U.S. Internal Revenue Service (income tax data), and the Virgin Islands Bureau of Internal Revenue (miscellaneous tax data).

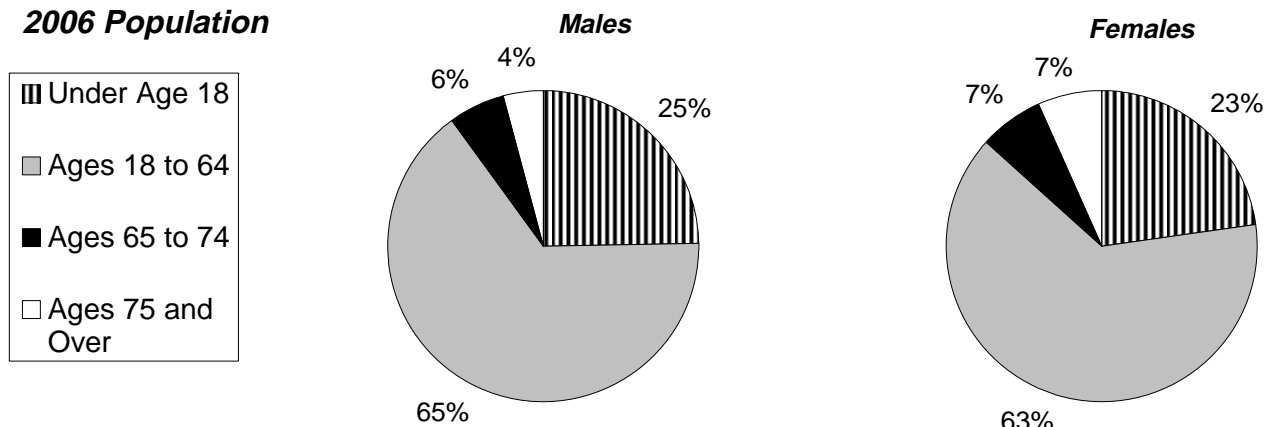
As state and local economic conditions and demographic patterns change, policymakers may consider adjusting their policies on taxes and spending programs. These adjustments become more difficult when economic and demographic changes depart from historical trends. It is our belief that this publication will contribute to more informed public policy decisions by identifying significant economic, demographic, and fiscal changes.

Virginia

Economic Indicators	1996		2006		Average Annual Change 1996–2006	
	VA	US	VA	US	VA	US
	Per Capita Income.....	\$25,034	\$24,175	\$39,564	\$36,629	4.7%
Median Household Income	\$39,211	\$35,492	\$57,119	\$48,201	3.8%	3.1%
Gross State Product (in millions).....	\$196,638	\$7,659,651	\$369,260	\$13,149,033	6.5%	5.6%
Full- and Part-Time Positions (in thousands).....	4,012	152,150	4,860	178,343	1.9%	1.6%
Employed Persons (in thousands)	3,252	126,708	3,879	144,427	1.8%	1.3%
Unemployment Rate.....	4.3%	5.4%	3.0%	4.6%	—	—

Sources: U.S. Bureau of the Census, U.S. Bureau of Economic Analysis, and the U.S. Bureau of Labor Statistics

2006 Population



Population and Poverty	Population				Poverty Rate	
	1996	2006	Percentage Change 1996–2006		2006	
	VA	VA	VA	US	VA	US
Total Population.....	6,665,491	7,642,884	14.7%	12.9%	9.6%	13.3%
Males.....	3,259,356	3,756,771	15.3%	13.9%	8.4%	11.9%
Under Age 18.....	829,607	923,740	11.3%	6.6%	12.2%	18.2%
Ages 18 to 64.....	2,127,124	2,460,101	15.7%	17.4%	7.2%	10.1%
Ages 65 to 74.....	189,286	218,839	15.6%	4.0%	5.2%	6.9%
Ages 75 and Over.....	113,339	154,091	36.0%	25.1%	8.0%	7.7%
Females.....	3,406,135	3,886,113	14.1%	11.9%	10.7%	14.7%
Under Age 18.....	791,868	883,107	11.5%	6.8%	12.1%	18.5%
Ages 18 to 64.....	2,168,336	2,488,168	14.8%	15.0%	10.1%	13.8%
Ages 65 to 74.....	238,308	256,021	7.4%	-1.0%	9.9%	10.2%
Ages 75 and Over.....	207,623	258,817	24.7%	17.3%	12.7%	13.5%

Source: U.S. Bureau of the Census

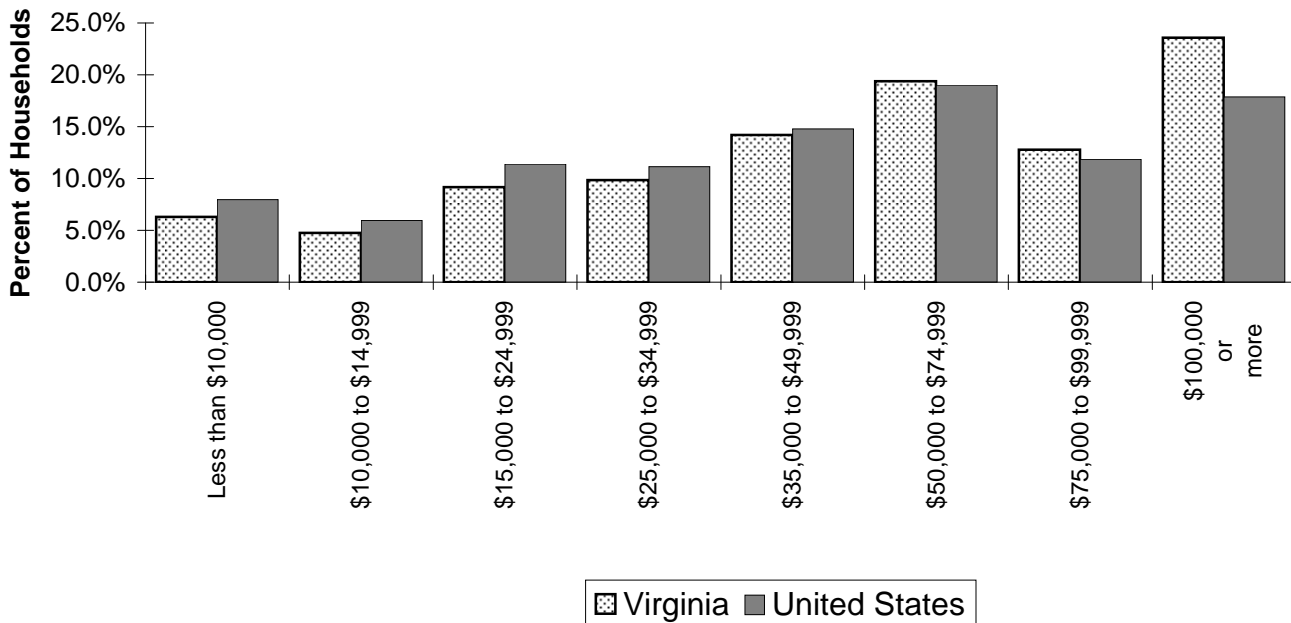
Virginia

Percent Distribution of Households by Age of Householder and Income, 2006

Age of Householder	Less than \$10,000	\$10,000 to \$14,999	\$15,000 to \$24,999	\$25,000 to \$34,999	\$35,000 to \$49,999	\$50,000 to \$74,999	\$75,000 to \$99,999	\$100,000 or more	All Households
Under 25 years.....	18.1%	8.2%	17.4%	16.8%	15.8%	14.9%	5.2%	3.6%	100.0%
25 to 44 years.....	4.0%	2.8%	7.2%	9.6%	15.6%	22.7%	15.2%	22.9%	100.0%
45 to 64 years.....	5.1%	3.2%	6.6%	7.7%	12.7%	18.8%	13.7%	32.1%	100.0%
65 years and over.....	10.6%	10.9%	16.3%	13.0%	14.1%	14.9%	7.9%	12.3%	100.0%
Virginia (all ages).....	6.3%	4.7%	9.2%	9.8%	14.2%	19.4%	12.8%	23.6%	100.0%
United States (all ages).	8.0%	5.9%	11.4%	11.2%	14.8%	19.0%	11.8%	17.9%	100.0%

Source: U.S. Bureau of the Census

Percent of Households by Household Income Bracket, 2006



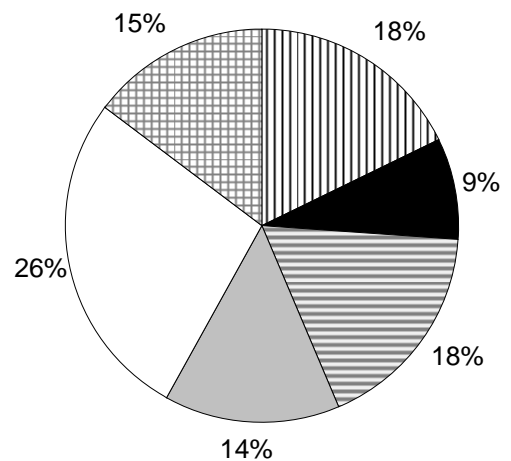
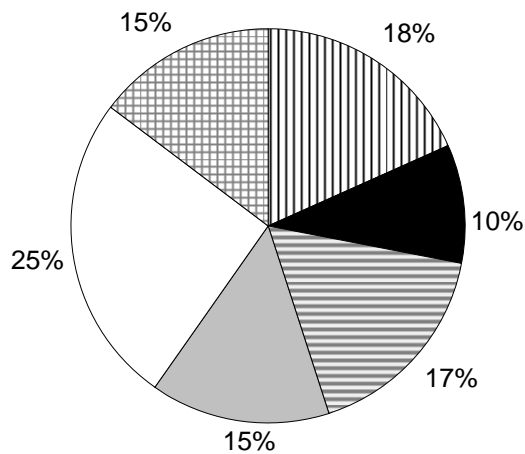
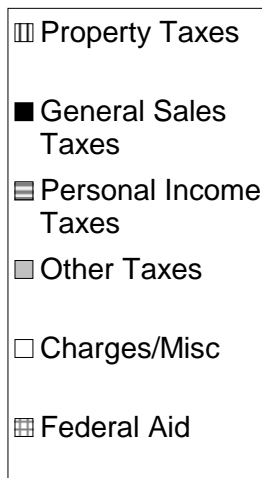
Virginia

State and Local General Revenues, FY 2005	General Revenues (millions)	Per Capita		Percent of Personal Income		Average Annual Revenue Change 1995–2005	
		VA	US	VA	US	VA	US
Total General Revenues.....	\$47,548	\$6,286	\$6,816	17.8%	20.8%	6.4%	5.6%
Own Sources.....	\$40,614	\$5,369	\$5,338	15.2%	16.3%	6.4%	5.3%
Taxes.....	\$27,659	\$3,657	\$3,698	10.3%	11.3%	6.1%	5.2%
Property Taxes.....	\$8,390	\$1,109	\$1,132	3.1%	3.5%	6.0%	5.1%
General Sales Taxes.....	\$4,047	\$535	\$887	1.5%	2.7%	4.9%	5.1%
Personal Income Taxes.....	\$8,352	\$1,104	\$813	3.1%	2.5%	6.8%	5.7%
Other Taxes.....	\$6,870	\$908	\$866	2.6%	2.6%	6.1%	4.9%
Charges/Miscellaneous.....	\$12,955	\$1,713	\$1,640	4.8%	5.0%	7.1%	5.7%
Federal Aid.....	\$6,935	\$917	\$1,478	2.6%	4.5%	6.4%	6.7%

Source: U.S. Bureau of the Census (2005 data are the most current available.)

1995 General Revenue

2005 General Revenue



Virginia

I. Personal Income Tax (2006)

State Income Tax Base

Virginia's income tax base is linked to federal adjusted gross income.

Filing Requirements

Taxpayers must file if their Virginia gross income equals or exceeds \$7,000 (single) or \$14,000 (married, filing jointly)

Rate Structure

All Taxpayers	
<u>Taxable Income</u>	<u>Rate</u>
First \$3,000	2.00%
\$3,001 – \$5,000	3.00%
\$5,001 – \$17,000	5.00%
Over \$17,000	5.75%

Retirement Income (age deduction)

Age 65 and older \$12,000 deduction from any income source for each spouse age 65 or older*

*Taxpayers born on or before January 1, 1939, are eligible for the *entire* \$12,000 deduction; those born on or between January 2, 1939, and January 1, 1942, receive up to a \$12,000 deduction (the \$12,000 deduction phases out for those whose federal adjusted gross income exceeds \$50,000 [single] or \$75,000 [married]).

Military Retirement Income

Veterans who have been awarded the Congressional Medal of Honor can deduct military retirement income.

Social Security Benefits Full exemption

Sources: AARP 2007 telephone survey of state legislative staff, state departments of revenue, state controllers' offices, state assessors' offices, and state treasury offices.

Virginia

Standard Deductions and Personal Exemptions Combined

Under age 65	\$3,900 (single); \$7,800 (married, filing jointly; both spouses are under age 65)
Age 65 and older	\$4,800 (single); \$9,600 (married, filing jointly; both spouses are age 65 or older)

Long-Term Care Insurance Premium Deduction

Taxpayers may deduct long-term care insurance premiums provided that they have not been deducted for federal income tax purposes.

Disability Income Deduction

Taxpayers may deduct up to \$20,000 of disability income reported as wages (or payments in lieu of wages) on their federal return as defined under Internal Revenue Code Section 22. The subtraction applies to income received for permanent and total disability. Taxpayers may not claim both the retirement income deduction and this deduction.

Low-Income Tax Credit*

Eligibility	Taxpayers whose Virginia adjusted gross income is below federal poverty guidelines
Benefits	\$300 per exemption

*The low-income tax credit is nonrefundable and may not be claimed if a taxpayer or his/her spouse or any of his/her dependents claimed any of the following state tax breaks: (1) retirement deduction (otherwise known as the age deduction), (2) Virginia National Guard deduction, (3) military pay subtraction, (4) subtraction for state and federal employees whose salary is \$15,000 or less, or (5) an additional exemption for taxpayers who are age 65 and older or blind. In addition, someone who is claimed as a dependent on another taxpayer's return cannot claim this credit.

Local Income Taxes None

II. General Sales Tax Rates (2006)

State	4.0%
Combined state/local tax rates.....	5.0%

Sources: AARP 2007 telephone survey of state legislative staff, state departments of revenue, state controllers' offices, state assessors' offices, and state treasury offices.

Virginia

III. Miscellaneous Tax Rates (2006)

Corporate income (highest marginal rate)	6.0%	On all taxable income
Gasoline (per gallon)	\$0.175	An additional 2% sales tax applies in the Northern Virginia Transportation District.
Cigarette (per pack of 20)	\$0.30	Local taxes, where levied, are additional.
Beer (per gallon)	\$0.02	Small bottles
	\$0.0265	Large bottles

IV. Real Property Tax Relief Programs (2007)

Homestead Exemption or Credit (local option program)

Requirements

Homeowners age 65 and older or disabled whose income is at or below \$50,000 and whose net worth is below \$200,000 (excluding dwelling plus 10 acres surrounding dwelling) can receive a tax refund up to all of their property taxes. Some Northern Virginian jurisdictions allow the same tax refund for persons with incomes below \$72,000 and whose net worth is below \$340,000 (excluding dwelling plus one acre surrounding dwelling).

Circuit Breaker None

Deferral Programs (local option programs)

Requirements

Homeowners age 65 and older or disabled with incomes at or below \$30,000 and whose net worth is below \$100,000 (excluding dwelling) can defer up to all of their property taxes. Some Northern Virginia jurisdictions provide tax deferrals for homeowners with incomes below \$72,000 and whose net worth is below \$340,000 (excluding dwelling plus one acre surrounding dwelling).

Homeowners can defer property taxes that exceed 105% (or more) of prior year's tax.

V. Real Property Tax Limits, Caps, or Freezes (2007)

No statewide limits, caps, or freezes are provided.

Sources: AARP 2007 telephone survey of state legislative staff, state departments of revenue, state controllers' offices, state assessors' offices, and state treasury offices.

Virginia

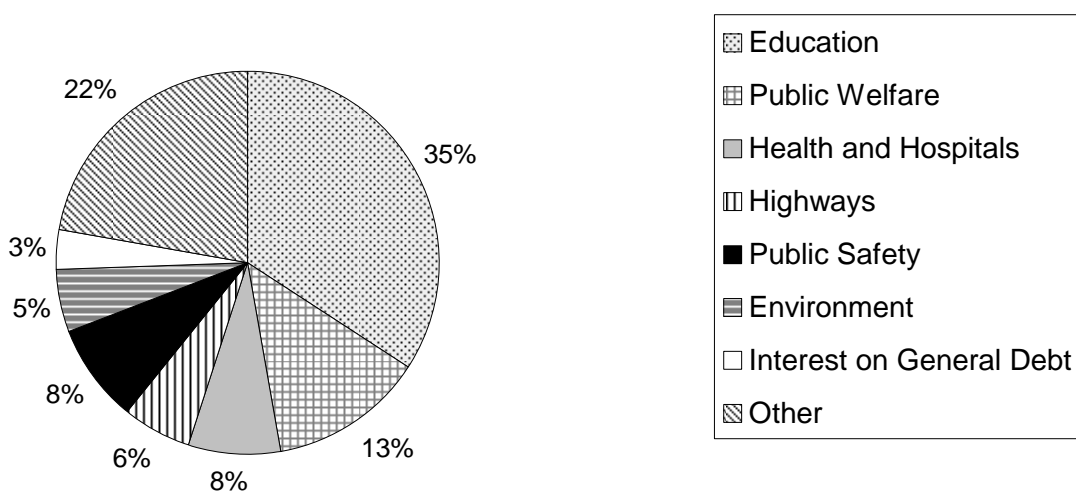
State and Local General Expenditures, FY 2005	General Expenditures (millions)	Per Capita		Percent of Personal Income		Average Annual Expenditure Change 1995–2005	
		VA	US	VA	US	VA	US
State/Local Direct General Expenditures.....	\$51,596	\$6,821	\$6,794	19.3%	20.7%	7.5%	5.8%
To State/Local Government.....	\$51,594	\$6,821	\$6,778	19.3%	20.7%	7.5%	5.8%
Education*.....	\$17,585	\$2,325	\$2,325	6.6%	7.1%	6.6%	6.2%
Public Welfare.....	\$6,732	\$890	\$1,221	2.5%	3.7%	7.9%	6.5%
Health and Hospitals.....	\$4,085	\$540	\$574	1.5%	1.8%	7.6%	4.9%
Highways.....	\$2,957	\$391	\$418	1.1%	1.3%	3.0%	4.9%
Public Safety*.....	\$4,321	\$571	\$599	1.6%	1.8%	6.5%	5.8%
Environment.....	\$2,700	\$357	\$383	1.0%	1.2%	5.1%	4.7%
Interest on General Debt.....	\$1,711	\$226	\$273	0.6%	0.8%	3.1%	3.6%
Other.....	\$11,503	\$1,521	\$985	4.3%	3.0%	13.4%	6.1%
To Federal Government.....	\$2	\$0	\$16	0.0%	0.0%	17.1%	2.5%

*Education includes higher and lower education; public safety includes police, fire, corrections, and protection and inspection.

Source: U.S. Bureau of the Census (2005 data are the most current available.)

State and Local General Expenditures, FY 2005

(excluding payments to federal government)



2005 Debt Ratio Measures	Total Debt Outstanding			Long-term Debt		Short-term Debt	
	Debt (billions)	Per Capita	Per \$1,000 of Personal Income	Debt (billions)	Percent of Total	Debt (billions)	Percent of Total
Virginia (State and Local).....	\$44.5	\$5,888	\$166.31	\$44.2	99.3%	\$0.33	0.7%
United States.....	\$2,067.0	\$6,970	\$212.82	\$2,036.0	98.5%	\$31.00	1.5%

Source: U.S. Bureau of the Census