

Virginia Needs a Fair Share Tax to Invest in Our Communities (HB188, HB979, HB1074, 4-14 #1s, 4-14 #6s)

We need a budget that invests in all of us

Whether we have \$10 to our name or \$10 million, we all want to live in a state with good public schools, safe transportation, clean air and drinking water, affordable housing, and high-quality health care systems. To accomplish these shared goals, Virginia needs sustainable revenue to correct years of underfunding and invest in these building blocks of thriving communities for years to come. Unfortunately, the greedy few and special interests have rigged the tax code to get out of paying their fair share. Now, Virginia's tax code is upside-down — people with lower incomes pay a greater share of their incomes in state and local taxes than the rich and well-connected. **And a teacher making \$66,327 a year, the average teacher pay in Virginia, shares the same top tax bracket as a millionaire.**

A simple and effective solution: make sure that everyone pitches in their fair share by creating a new 10% bracket for annual incomes over \$1 million. **Establishing this Fair Share Tax would raise nearly \$3 billion in the upcoming budget** and can be used to meet the needs Virginia residents have continually identified in their communities and to fund the programs and services that will benefit all of us.

How would a Fair Share Tax work?

According to new modeling conducted by the Institute on Taxation and Economic Policy (ITEP) in 2025, only 0.55% tax filers would be impacted in Virginia. A Fair Share Tax would establish a new top tax bracket of 10%, but only for income over \$1 million. If you had \$1,000,001 in taxable income, only \$1 would be taxed at a higher rate. The vast majority of people in Virginia would see no change in the income tax they pay, and they would still pay 5.75% on taxable income from \$17,001 to \$1 million.

This proposal would only apply to annual taxable income, not the value of held assets unless they are sold for a profit and capital gains are collected. Any taxable income of \$1 million and below would not face a higher income tax rate.

About 99.45% of Virginia tax filers would see no increase in their state income taxes under this proposal.



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Fair Share Tax Frequently Asked Questions

Won't millionaires just move out of Virginia?

- While income millionaires are more likely to consider state tax rates while making a move, **they are far less likely to move than the general population.** Income millionaires tend to be more embedded in place for a variety of reasons. Income millionaires are more likely to be married, have school-aged children, own businesses, and are often at the peak of their careers in jobs that are difficult to relocate.
- Looking at a similar proposal in Massachusetts: In 2022, Massachusetts' voters approved a 4% surtax on taxable incomes over \$1 million. The Fair Share Amendment helps address the state's upside-down tax code and fund essential priorities. In its most recent budget, Massachusetts invests \$3.8 billion of fair share revenue in transportation and education. Thanks to Fair Share, K-12 meals are now free for all public school students, and free-fare transportation programs have been expanded. [The number of wealthy people worth over \\$1 million has continued to grow since Fair Share's passage.](#)

People may have homes worth up to \$900,000 and make over \$100,000 a year, why should we increase their taxes just because they have expensive homes?

- This is a tax on taxable incomes, not the value of assets. When someone sells their primary residence, the first \$250,000 of increase in home value, or \$500,000 for married couples, is exempt from taxation. A state fair-share tax would only impact an individual selling their home if their home value increased more than \$250,000 AND their income in addition to the home sale totaled over \$1 million. **If someone's income was just from the sale of their home that year, they would have to sell their home for over \$1.25 million more than they bought it to face any higher tax rate.**

What about my retirement account that's well over \$1,000,000?

- Withdrawals from traditional retirement accounts are taxed as ordinary income at the federal and state level. If a person withdrew **more than \$1 million in a single year, or if the withdrawal plus other income was more than \$1 million in a year**, they could face higher taxes on income that surpasses \$1 million.
- Withdrawals from Roth retirement accounts are not counted as part of income and are not taxed except for some early withdrawals of earnings.

I plan on selling stocks next year that I think could be worth over \$1,000,000, why should I pay more in taxes?

- Income from long-term capital gains face lower taxes at the federal level, but are taxed at the individual income rate at the state level. **If someone sells stock they have for \$1 million above purchase price, or if the profit from the sale plus their other income is above \$1 million, their income over \$1 million could be taxed at a higher rate under a fair-share millionaire's tax.**
- Again, this is about people paying their fair share for taxable incomes over \$1,000,000. Very, very few people, about 0.55% of overall fillers in the state, would be impacted by this proposal.



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