

**DEPARTMENT OF TAXATION
2001 Fiscal Impact Statement**

1. Patron Almand

3. Committee Senate Finance

4. Title Neighborhood Assistance Act Tax Credits

2. Bill Number HB 2202

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

Second House:

☒ In Committee

☐ Substitute

☐ Enrolled

5. Summary/Purpose:

This bill would extend the income tax credits authorized by the Neighborhood Assistance Act (the "Act") through fiscal year 2005. Under current law, the credits are not authorized beyond fiscal year 2002.

The effective date of this bill is not specified.

6. Fiscal Impact Estimates are: Not Provided. (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill would not decrease General Fund revenues until FY 2004. In FY 2004 and each fiscal year thereafter, General Fund revenues would be reduced by \$8.0 million.

The department would incur minimal costs as a result of this bill.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Social Services

10. Technical amendment necessary: None.

11. Other comments:

Background

The Virginia Neighborhood Assistance Program allows tax credits for business firms and individuals who contribute to approved neighborhood assistance organizations designed to benefit impoverished individuals. The credit can be applied against the income tax imposed on individuals, trusts, estates, and corporations; the bank franchise tax; and the gross receipts tax imposed on insurance and public service companies.

To be approved as a neighborhood assistance organization, an organization must be exempt from federal income tax under Internal Revenue Code ("IRC") § 501(c)(3) or § 501(c)(4), and must have a primary function of providing assistance to impoverished people. Activities sponsored under the program include education, job training, housing assistance, health care clinics and community services. A qualifying organization is approved by the Virginia Department of Social Services for a 12-month period, and is permitted to grant state tax credits to business firms making qualifying donations. Business firms are permitted to contribute money, merchandise and professional services to approved neighborhood organizations in exchange for state tax credits.

Business firms are permitted a tax credit equal to 45% of contributions and must make a minimum donation of \$889 to receive a credit. Donors may take a maximum of \$175,000 in tax credits in any tax year. Any credit not usable for the taxable year may be carried over for the next 5 taxable years.

Individuals making qualifying monetary donations of \$50 or more by cash or check are also allowed a credit. The credit for such donations would be equal to the donation, not to exceed \$200 in a taxable year.

The total amount of credits the Department of Social Services is authorized to allocate to approved neighborhood assistance organizations is limited to \$8 million in a fiscal year. However, \$2.75 million of this amount must be designated for allocation to education programs. If requests for credits by education programs are less than \$2.75 million, then any remaining amount can be allocated to other programs. Under current law, no credits can be authorized after June 30, 2002.

Proposal

This bill would extend the income tax credits authorized by the Act through fiscal year 2005.

Other Legislation

Senate Bill 1214 would extend the income tax credits authorized by the Neighborhood Assistance Act through fiscal year 2004. In addition, this bill would replace the current law regarding individual donations by reserving an additional \$1 million of tax credits for individuals who make donations of at least \$900 to a qualified neighborhood organization.

cc: Secretary of Finance

Date: 2/7/01/CT

