

**DEPARTMENT OF TAXATION  
2001 Fiscal Impact Statement**

**1. Patron** Dickinson

**3. Committee** House Finance

**4. Title** Neighborhood Assistance Act: Allocation  
Of Tax Credits

**2. Bill Number** HB 2747

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would designate \$2 million of credits of the \$8 million of credits currently authorized under the Neighborhood Assistance Act to the Virginia Second Harvest Food Banks. The Neighborhood Assistance Act currently allocates \$2.75 million of credits to education programs conducted by neighborhood organizations.

The effective date of this bill is not specified.

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

**7. Budget amendment necessary:** No.

**8. Fiscal implications:**

The impact this bill would have on General Fund revenues is unknown. If the Food Banks request the full \$2.0 million of credits designated by this bill, then other programs that have benefited from the Act in prior years could see a decrease in the benefits they receive.

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 designate \$2 million of credits of the \$8 million of credits currently authorized by the Neighborhood Assistance Act to the Virginia Second Harvest Food Banks. The Neighborhood Assistance Act currently allocates \$2.75 million of credits to education programs conducted by neighborhood organizations. If requests for credits by the food banks are less than \$2 million, then any remaining amount can be allocated to other programs.

### **Other Legislation**

**House Bill 2202** and **Senate Bill 1214** would increase the cap on the income tax credits authorized by the Neighborhood Assistance Act from \$8.0 million to \$12.0 million per fiscal year and remove the sunset provision on the tax credits.

**House Bill 2473** would establish the Home Energy Assistance Program under the Neighborhood Assistance Act. This program consists of a number provisions designed to provide emergency electric energy assistance to low-income individuals and families.

**House Bill 2669** would increase the Neighborhood Assistance Act tax credit percentage from 45 percent to 50 percent for business firms that make donations to neighborhood assistance organizations.

cc: Secretary of Finance

**Date:** 1/26/01/CT

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