

**DEPARTMENT OF TAXATION
2002 Fiscal Impact Statement**

1. **Patron** Edwards

3. **Committee** House Finance

4. **Title** Individual Income Tax: Art Museum of
Western Virginia Check-off

2. **Bill Number** SB 309

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would create an individual income tax check-off for voluntary contributions to be used by the Art Museum of Western Virginia to assist in its mission of promoting art through its collections, and education and outreach programs. The effective date of this check-off would be for taxable years beginning on and after January 1, 2003, but before January 1, 2008.

This bill would also allow the Department of Taxation to retain up to ten percent of all voluntary contributions made for the taxable year for its costs to administer voluntary contributions. However, the department could not retain more than \$75,000 for any taxable year. The effective date of this provision would be taxable years beginning on or after January 1, 2003.

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

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2001-02	\$0	GF
2002-03	\$0	GF
2003-04	\$93,320	GF

7. **Budget amendment necessary:** Yes.

ITEM(S): 283, Department of Taxation

8. Fiscal implications:

There are costs associated with modifying the system to implement this legislation. TAX is currently in the process of replacing its automated systems as part of a partnership with AMS. As a result, TAX will be maintaining two systems – the current STARS system and the new IRMS system – for a period of time as a contingency. The contract with AMS generally provides for the costs of implementing routine legislation.

However, changes attributable to major legislation are not within the scope of the contract.

TAX will incur \$93,320 in costs in Fiscal Year 2004 for changes to its existing system to implement this check-off. Changes to the new IRMS system will be covered under the AMS contract changes. Ongoing administrative costs incurred in Fiscal Year 2005 and beyond would be minimal.

This bill would have no impact in the General Fund revenues because check-offs are voluntary contributions made by taxpayers that reduce their income tax refunds.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

This bill would allow individuals who are due a tax refund to contribute one dollar or more to the Art Museum of Western Virginia. This bill would also allow the department to recover its cost in administering all voluntary contributions. The department may retain up to 10% of all contributions made for a taxable year, but the department cannot retain more than \$75,000 annually. Administrative costs would be apportioned to each organization on a pro rata basis based on prior year contributions for the organization compared to total prior year contributions made to all qualifying organizations.

This new check-off would be effective for taxable years beginning on or after January 1, 2003, but before January 1, 2008. Recovery of administrative costs would be effective for taxable years beginning on or after January 1, 2003.

There are twenty-one active voluntary contribution check-off provisions effective taxable years beginning on and after January 1, 2002. Thirteen are permanent, and eight sunset. The following illustrates their status:

Voluntary Check-off Contribution	Current Expiration Date
Center for Government Studies	January 1, 2005
Chesapeake Bay	None
Children of America Finding Hope	None
Community Policing Fund	None
Elderly Transportation Fund	None
Family and Children's Trust Fund	None
Historic Resources Fund	January 1, 2004
Jamestown-Yorktown Foundation	January 1, 2008
Law and Economics Center	January 1, 2005
Nongame Wildlife	None
Open Space Recreation and Conservation Fund	None
Organ and Tissue Donation	January 1, 2007
Political Parties	None
Public School Foundation	January 1, 2007
State Forest Systems Fund	None
Uninsured Medical Catastrophe	None
U.S. Olympic Committee	None
Virginia Arts Foundation	None
Virginia Foundation for the Humanities and Public Policy Fund	January 1, 2005
Virginia Housing Program	None
4-H Educational Center	January 1, 2007

The following chart represents historical data on the individual income tax check-offs:

Program/Fund	1996		1997		1998		1999	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Virginia Democratic Party *	3,676	\$37,701	1,877	\$23,655	1,945	\$25,591	1,656	\$23,743
Virginia Republican Party *	2,835	29,013	1,422	18,611	1,454	19,974	1,255	17,510
Virginia Reform Party			111	871	10	194	0	0
Virginia Nongame Wildlife Program	19,446	260,829	9,881	163,454	9,287	156,194	8,716	151,902
Virginia Housing Program	181	2,479	2,667	29,596	2,961	37,286	2,506	33,756
Virginia Open Space Recreation and Conservation Fund	10,779	114,180	4,342	52,920	4,138	51,232	3,905	52,215
Virginia Family and Children's Trust Fund (FACT)	9,285	88,611	3,588	40,988	3,306	42,227	3,224	42,304
Virginia Elderly and Disabled Transportation Fund	222	2,496	4,113	47,445	4,263	54,421	4,203	60,353
United States Olympic Committee	6,794	56,790	3,220	33,304	2,338	24,284	2,470	30,065
Community Policing Fund	5,837	52,645	2,042	21,179	1,838	19,478	1,434	15,888
Virginia Arts Foundation			2,410	25,964	2,668	30,077	2,077	25,706
Chesapeake Bay Restoration			6,913	98,161	6,673	100,191	7,192	116,956
Historic Resources Fund					2,160	22,298	1,607	17,290
State Forests Systems Fund							3,050	34,880
Uninsured Medical Catastrophe Fund							2,136	26,976
Humanities & Public Policy							540	4,666
Center for Government Studies							331	3,759
Law & Economics Center							342	4,839
Total	59,055	\$644,745	42,586	\$556,148	43,041	\$583,447	\$46,644	\$662,807

Other Legislation

House Bill 645 would create an individual income tax check-off for voluntary contributions to be used by the Virginia War Memorial Foundation and the National D-Day Memorial Foundation.

House Bill 748 would create an individual income tax check-off for voluntary contributions to the Home Energy Assistance Fund.

House Bill 1265 would create an individual income tax check-off for voluntary contributions to be used by the Department of Criminal Justice Services for the Pre-Release and Post-Incarceration Services Program.

House Bill 1327 would create the Virginia Clean Election Act and a permanent individual income tax check-off for voluntary contributions to the Virginia Clean Election Fund.

Senate Bill 524 would make the existing individual income tax check-off for voluntary contributions to the Virginia Housing Program permanent.

cc : Secretary of Finance

Date: 02/07/02/TST

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