

# DEPARTMENT OF TAXATION

## 2002 Fiscal Impact Statement

1. **Patron** Puller

3. **Committee** Senate Finance

4. **Title** Income Tax: Long-Term Care Facilities  
Volunteers' Tax Credit

2. **Bill Number** SB 463

**House of Origin:**

X **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would create an individual income tax credit equal to \$1 for each hour that an individual volunteers at a long-term care facility in Virginia. The maximum credit that can be earned in any taxable year would be limited to \$100, with a five-year carry forward for any amount of credit exceeding the annual tax liability.

This bill would be effective for taxable years beginning on or after January 1, 2002.

### 6. **Fiscal Impact Estimates are:** Tentative (See Line 8.)

#### 6a. **Expenditure Impact:**

| <i><b>Fiscal Year</b></i> | <i><b>Dollars</b></i> | <i><b>Fund</b></i> |
|---------------------------|-----------------------|--------------------|
| 2001-02                   | \$0                   | GF                 |
| 2002-03                   | \$90,400              | GF                 |
| 2003-04                   | \$6,855               | GF                 |

#### 6b. **Revenue Impact:**

| <i><b>Fiscal Year</b></i> | <i><b>Dollars</b></i> | <i><b>Fund</b></i> |
|---------------------------|-----------------------|--------------------|
| 2001-02                   | \$0                   | GF                 |
| 2002-03                   | <\$1.4 million>       | GF                 |
| 2003-04                   | <\$1.4 million>       | GF                 |

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

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### 8. **Fiscal implications:**

**Administrative Costs**

There are costs associated with modifying the system to implement this legislation. The Department of Taxation is currently in the process of replacing its automated systems as part of a partnership with AMS. As a result, the Department of Taxation 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.

The Department of Taxation would incur costs of \$87,700 in Fiscal Year 2003 for changes to its existing system and \$4,155 in Fiscal Year 2004 for systems maintenance. Changes to the new IRMS system would be covered under the AMS contract changes. The Department of Taxation would also incur other administrative costs with respect to this legislation of \$2,700 in FY 2003 and thereafter for forms development.

### **Revenue Impact**

This bill would reduce General Fund revenues by an estimated \$1.4 million for Fiscal Year 2003 and thereafter.

### **9. Specific agency or political subdivisions affected:**

Department of Taxation

### **10. Technical amendment necessary:** None

### **11. Other comments:**

Under this bill, an individual income tax credit would be created equal to \$1 for each hour that an individual volunteers at a long-term care facility in Virginia. The credit would be limited to the lesser of the total income tax imposed or \$100. Any unused credit could be carried forward for up to five taxable years.

In order to claim the credit, an individual would be required to attach a certification from the administrator, director or owner of long-term care facilities attesting to the total hours volunteered. A "long-term care facility" would include an assisted living facility or a nursing home.

For purposes of this tax credit, an "assisted living facility" would mean any congregate residential setting that provides or coordinates personal and health care services, 24-hour supervision, and assistance for the maintenance or care of four or more adults who are aged, infirm or disabled and who are cared for in a primarily residential setting, except (i) a facility licensed by the State Board of Health or the Department of Mental Health, Mental Retardation and Substance Abuse Services; (ii) the home or residence of an individual who cares for or maintains only persons related to him by blood or marriage; (iii) a facility serving infirm or disabled persons between the ages of 18 and 21, or 22 if enrolled in an educational program for the handicapped, when such facility is

licensed by the Virginia Department of Social Services as a child-caring institution; and (iv) any housing project for seniors or the disabled that provides no more than basic coordination of care services and is funded by the U.S. Department of Housing and Urban Development.

A "nursing home" would mean any facility or any identifiable component of any facility licensed pursuant to Article 1 of Chapter 5 of Title 32.1 of the Code of Virginia in which the primary function is the provision, on a continuing basis, of nursing services and health-related services for the treatment and inpatient care of two or more nonrelated individuals, including facilities known by varying nomenclature or designation such as convalescent homes, skilled nursing facilities or skilled care facilities, intermediate care facilities, extended care facilities and nursing or nursing care facilities.

cc: Secretary of Finance

Date: 01/25/02/dtm

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