

DEPARTMENT OF TAXATION

2003 Fiscal Impact Statement

1. **Patron** Edwards

2. **Bill Number** SB 935

3. **Committee** Passed Senate and House

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Income Tax: Due Date for Tax Exempt
Organization Returns

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would change the income tax return filing date for tax exempt organizations with unrelated business taxable income ("UBTI") from the 15th day of the fourth month following the close of the taxable year to the 15th day of the 6th month following the close of the taxable year.

This bill would be effective for taxable years beginning on or after January 1, 2003.

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

6a. **Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2002-03	\$85,100	GF
2003-04	\$14,400	GF
2004-05	\$0	GF

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

8. **Fiscal implications:**

Moving the filing due date for tax exempt organization returns back two months would shift some tax revenue from UBTI into the following fiscal year. The amount of the General Fund revenue reduction, which would occur primarily in Fiscal Year 2003, is unknown.

The Department would incur costs of \$85,100 in Fiscal Year 2003 and \$14,400 in Fiscal Year 2004 for systems changes to implement this bill.

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

Department of Taxation

10. Technical amendment necessary: None.

11. Other comments:

Under federal law, tax exempt organizations that have gross income of \$1,000 or more from an unrelated trade or business are required to file a return on or before the 15th day of the fifth month after the close of the organization's tax year. Currently, Virginia requires tax exempt organizations with UBTI to file returns by the 15th day of the fourth month following the close of the taxable year. Thus, tax exempt organizations with income subject to tax are required to file a Virginia income tax return before the federal due date.

Individuals and corporations are not required to file Virginia returns until after their respective federal returns are due. This bill would make Virginia's filing requirements for tax exempt organizations consistent with the requirements for individuals and corporations.

The following table shows the current due dates for calendar year income taxpayers and how the due dates would change as a result of this bill.

Income Tax Due Dates			
Entity Type	Federal Due Dates *	Current Virginia Due Dates *	Proposed Virginia Due Dates *
Individual	April 15	May 1	No Change
Corporation	March 15	April 15	No Change
Tax Exempt Organization	May 15	April 15	June 15

** Assumes Calendar Year Income Taxpayers*

cc : Secretary of Finance

Date: 02/25/03 CT

Document : S:\2003leg\WorkInProgress\OTPwork\Senate Bills\SB0935FER161.doc