

DEPARTMENT OF TAXATION

2005 Fiscal Impact Statement

1. **Patron** Henry L. Marsh III

2. **Bill Number** SB 803

3. **Committee** Senate Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Income tax, state; voluntary contribution
to Dr. Martin Luther King, Jr. Commission

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would create a permanent individual income tax check-off for voluntary contributions to the Dr. Martin Luther King, Jr. Memorial Commission Fund. Taxpayers would be allowed to contribute \$1 or more of their refund to the Fund to support the work of the Dr. Martin Luther King, Jr. Living History and Public Policy Center.

This bill would be effective for taxable years beginning on or after January 1, 2005.

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

Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2004-05	\$0	GF
2005-06	(\$93,120)	GF
2006-07	(\$6,180)	GF
2007-08	(\$6,365)	GF
2008-09	(\$6,556)	GF
2009-10	(\$6,753)	GF
2010-11	(\$6,956)	GF

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

ITEM(S) 284 and 286, Department of Taxation

8. **Fiscal implications:**

Administrative Costs

The Department would incur administrative costs of \$93,120 in FY 2006, \$6,180 in FY 2007, \$6,365 in FY 2008, \$6,556 in FY 2009, \$6,753 in FY 2010, and \$6,956 in FY 2011 for systems development, forms revision and additional costs for data capture. For taxable years beginning on and after January 1, 2003, the Department is allowed to retain up to five percent of all voluntary contributions made for the taxable year for its costs to

administer voluntary contributions. However, the Department cannot retain more than \$50,000 for any taxable year.

Revenue Impact

This bill would have no impact on 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
Division of Legislative Services

10. Technical amendment necessary: No.

11. Other comments:

Virginia had 27 active voluntary contributions for the taxable year 2004. Provisions for three organizations expired on December 31, 2004. *Virginia Code* § 30-19.1:10, enacted by the 2004 General Assembly, limits the number of qualifying organizations to 25, and requires that organizations receive at least \$10,000 in voluntary contributions for at least 3 consecutive years are to be continued on the tax return.

The second enactment of 2004 *Acts of Assembly*, Chapter 649, identifies the next two organizations to be added to the tax return as: (i) the Department of Emergency Management for the Office of Commonwealth Preparedness, and (ii) all entities in the Commonwealth officially designated as cancer centers by the National Cancer Institute. However, the General Assembly has not enacted legislation authorizing voluntary tax return contributions for either organization.

The chart on the next page provides historical contribution data on the individual income tax voluntary contributions. Three organizations no longer qualify for voluntary contributions from the income tax returns because the enabling legislation authorized them only through the 2004 taxable year. Therefore, one new voluntary contribution can be listed on the tax return for 2005.

No.	Va. Code Cite	Program/Fund	First Return	Sunset Date	2001 Return		2002 Return		2003 Return	
					Number	Amount	Number	Amount	Number	Amount
1	58.1-345	Virginia Nongame Wildlife Program	1981	Permanent	6,336	153,283	6,542	158,685	6,224	151,215
2	58.1-345.1	Virginia Open Space Recreation and Conservation Fund	1988	Permanent	2,662	56,129	2,987	63,080	2,828	62,108
3	58.1-346	Virginia Democratic Party	1982	Permanent	1,219	\$22,949	1,310	\$25,437	1,721	\$35,291
3	58.1-346	Virginia Republican Party	1982	Permanent	912	17,261	989	18,973	1,003	20,197
4	58.1-346.1:1	United States Olympic Committee	1988	Permanent	1,444	24,317	1,325	22,402	1,413	26,821
5	58.1-346.2:1	Virginia Housing Program	1997	Permanent	1,803	39,898	1,943	43,024	1,896	44,685
6	58.1-346.3:1	Virginia Family and Children's Trust Fund	1998	Permanent	1,888	41,960	1,605	36,827	1,572	38,257
7	58.1-346.4:1	Virginia Elderly and Disabled Transportation Fund	1997	Permanent	2,877	59,993	2,895	60,101	2,786	63,311
8	58.1-346.5	Community Policing Fund	1994	Permanent	641	10,321	689	11,886	696	12,068
9	58.1-346.6	Virginia Arts Foundation	1997	Permanent	1,239	26,262	1,392	26,813	1,358	27,161
10	58.1-346.7	Chesapeake Bay Restoration	1997	Permanent	5,900	139,111	5,325	124,928	5,649	135,743
11	58.1-346.8	Historic Resources Fund	1998	2008	763	13,186	933	16,525	887	15,731
12	58.1-346.9	Jamestown-Yorktown Foundation	2000	2007	847	16,932	885	16,067	917	17,734
13	58.1-346.10	Humanities & Public Policy *	1999	2004	298	4,519	349	6,701	343	5,856
14	58.1-346.11	Center for Government Studies *	1999	2004	171	2,468	172	2,734	157	2,461
15	58.1-346.12	Law & Economics Center *	1999	2004	138	2,579	165	3,186	189	3,399
16	58.1-346.13	State Forests Systems Fund	1999	Permanent	2,443	45,433	2,175	40,242	2,051	41,588
17	58.1-346.14	Uninsured Medical Catastrophe Fund	1999	Permanent	1,361	31,879	1,336	30,297	1,148	27,269
18	58.1-346.15	Children of America Finding Hope	2001	Permanent	388	6,783	905	17,162	959	19,746
19	58.1-346.16	4-H Educational Centers (4H Camp)	2002	2006			473	7,455	482	9,506
20	58.1-346.17	Public School Foundations	2002	2006			1,033	27,836	1,033	56,521
21	58.1-346.18	Virginia Transplant Council	2002	2006			411	6,664	392	7,418
22	58.1-346.19	Home Energy Assistance	2003	Permanent					940	17,055
23	58.1-346.20	War Memorial & National D-Day Memorial	2003	2007					968	18,383
24	58.1-346.21	Virginia Federation of Humane Societies	2004	2008						
25	58.1-346.22	Tuition Assistance Grant Fund	2004	2008						
26	58.1-346.23	Spay and Neuter Fund	2004	2008						
27	58.1-346.24	Commission for the Arts	2004	2008						
		Total			33,330	\$715,263	35,839	\$767,025	37,612	\$859,524

Refund Check-Offs In Other States

A survey of check-off contributions of the other states that impose a broad-based income tax on individuals shows that Virginia has by far the most check-offs. The states with the most check-offs are Oregon with 18 and Oklahoma with 16. The average number of check-offs per state is 6.

Proposal

This bill would create a permanent individual income tax check-off for voluntary contributions to the Dr. Martin Luther King, Jr. Memorial Commission Fund. Taxpayers would be allowed to contribute \$1 or more of their refund to the Fund to support the work of the Dr. Martin Luther King, Jr. Living History and Public Policy Center.

Other Legislation

HB 2506 would create a permanent individual income tax check-off for voluntary contributions to the Brown v. Board of Education Scholarship Program Fund.

HB 2003 would create a special fund in the State Treasury to receive collections from the existing voluntary contributions to the Spay and Neuter Fund.

HB 2300 would create a permanent individual income tax check-off for voluntary contributions to the Western Virginia Region Cultural Organizations Fund.

HB 2303 would move existing voluntary contribution statutes to § 58.1-344.3 and establish procedures for removing from the tax return those that fail to receive at least \$10,000 annually in each of the three preceding taxable years, limit the number of organizations eligible to receive voluntary contribution from individual income tax returns to twenty-five, and establish the order in which future organizations that become authorized to receive voluntary contributions will be listed on the return as space becomes available. This bill would also require the Department of Taxation to report annually the amounts collected for each organization for the three preceding taxable years.

cc : Secretary of Finance

Date: 1/17/2005 TST
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