DEPARTMENT OF TAXATION
2005 Fiscal Impact Statement

1. Patron Henry L. Marsh III

2. Bill Number SB 803

House of Origin:
_____ **Introduced**
_____ **Substitute**
_____ **Engrossed**

3. Committee Passed House and Senate

4. Title Individual Income Tax: Limiting the Number Of Voluntary Contributions

Second House:
_____ **In Committee**
_____ **Substitute**
_X_ **Enrolled**

5. Summary/Purpose:

This bill would establish procedures implementing 2004 legislation that (i) limited the number of organizations eligible to receive voluntary contributions from individual income tax returns to twenty-five; and (ii) required each organization to receive at least $10,000 annually in contributions in each of the three previous taxable years for which there is complete data and for which such organization was listed on the indvidual income tax return. This bill would also create a procedure through which the Department of Taxation would report to the chairmen of the House and Senate Finance Committees.

This bill would clarify provisions of an existing contribution for the Spay and Neuter Fund to provide that amounts contributed to the fund would be paid to the Virginia Federation of Humane Societies. In addition, this bill would establish voluntary contributions for the Brown v. Board of Education Scholarship Fund, the Martin Luther King, Jr. Living History and Public Policy Center, and the Virginia Caregivers Grant Fund.

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

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

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill would have no impact on General Fund revenues, as voluntary contributions act to reduce the income tax refunds of taxpayers.

The Department would incur administrative costs of $93,120 for FY 2006, $6,180 for FY 2007, $6,365 for FY 2008, $6,556 for FY 2009, $6,753 for FY 2010, and $6,956 for FY 2011 for forms and systems modifications to add one new voluntary contribution.

9. Specific agency or political subdivisions affected:

Department of Taxation

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 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 organization can be added to the list of voluntary contributions in the return for Taxable Year 2005.

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 new process for limiting the voluntary contributions listed on the Virginia individual income tax return. As required by the 2004 legislation, the number of contributions would be limited to twenty-five, and all entities eligible to receive voluntary contributions would have to receive at least $10,000 in each of the three previous taxable years for which there is complete data and for which the entity was listed on the individual income tax return. In addition, each new entity would be required to be listed on the individual income tax return for three consecutive taxable years before the $10,000 requirement was applied to them.

					2001 Return		2002 Return		2003 Return	
No.	**Va. Code Cite**	**Program/Fund**	**First Return**	**Sunset Date**	**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

New contributions, beginning with the Office of Commonwealth Preparedness and all entities in the Commonwealth that officially have been designated as cancer centers by the National Cancer Institute, would be added to the list when their addition would result in the maximum number of twenty-five voluntary contributions. The entities would be added in the order in which they appear in the two specified subsections. However, this bill does not specify how to determine the order between the two subsections.

On the first day of each General Assembly regular session, the Department would be required to report to the chairmen of the House and Senate Finance Committees the amounts collected for each voluntary contribution for the three most recent taxable years for which there is complete data. The report would also be required to list which entities, if any, would be removed from the Virginia individual income tax return because they have failed to meet the $10,000 requirement. This report would allow the General Assembly sufficient time to act if it wished to preserve a voluntary contribution on the individual income tax return despite its failure to meet the monetary requirement.

This bill would group all of the current voluntary contributions into one section and repeal all of their individual sections. This would eliminate the sunset dates for all of the voluntary contributions except for the Voluntary Jamestown-Yorktown Foundation Contribution, which would still sunset on January 1, 2008.

Under current law, three voluntary contributions have expired. These are the contributions for the University of Virginia Center for Government Studies, the George Mason Law and Economics Center, and the Virginia Foundation for the Humanities and Public Policy Fund. However, because these contributions have not received $10,000 for the last three taxable years for which there is complete data, these contributions would also be removed from the list with the enactment of this bill.

The removal of these voluntary contributions would allow one new voluntary contributions to be added to the list for 2005. Under this bill, the next voluntary contribution would be for the Office of Commonwealth Preparedness.

This bill would clarify provisions of an existing contribution for the Spay and Neuter Fund to provide that amounts contributed to the fund would be paid to the Virginia Federation of Humane Societies.

In addition, this bill would establish three new voluntary contributions. The first would be for the Brown v. Board of Education Scholarship Fund to support the work of and generate nonstate funds to maintain the Brown v. Board of Education Scholarship Program. Next, a voluntary contribution would be established for the Martin Luther King, Jr. Living History and Public Policy Center to support its work and to generate nonstate funds on its behalf. Finally, a voluntary contribution would be established for the Virginia Caregivers Grant Fund.

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

Other Legislation

House Bill 2003 would clarify provisions of an existing contribution for the Spay and Neuter Fund to provide that amounts contributed to the fund would be paid to the Virginia Federation of Humane Societies.

HB 2303 is similar to this bill, but it would create a voluntary contribution for the Dr. Martin Luther King, Jr. Commission instead of the Martin Luther King, Jr. Living History and Public Policy Center.

cc : Secretary of Finance

Date: 3/9/2005 AMS
SB803FER1161