

DEPARTMENT OF TAXATION

2006 Fiscal Impact Statement

1. **Patron** Jay O'Brien

2. **Bill Number** SB 139

3. **Committee** Senate Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Individual Income Tax: Establishment of
Virginia Military Relief Fund; Voluntary
Contribution

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would establish the Virginia Military Family Relief Fund, which would be used to assist certain members of military and their families, with living expenses, including but not limited to food, housing, utilities, and medical services. The Council of the Virginia Military Relief Fund would be created to administer the Fund. In addition, this bill would establish an individual income tax voluntary contribution to support this Fund.

Under current law, no more than 25 voluntary contributions may be listed on the individual income tax returns. Under the provisions of this bill, the voluntary contribution for the Virginia Military Family Relief Fund would be third on the waiting list to be added to the individual income tax return.

The effective date of this bill is not specified.

6. **No Fiscal Impact or Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

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

8. **Fiscal implications:**

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

This bill would have no revenue impact.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Background

In 2004, the General Assembly limited the number of qualifying organizations to 25, and required that organizations receive at least \$10,000 in voluntary contributions annually for at least 3 consecutive years in order to continue to be included on the individual income tax return.

In 2005, the General Assembly clarified this requirement by creating 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 is limited to 25, and all entities eligible to receive voluntary contributions must receive at least \$10,000 in each of the three previous taxable years for which there is complete data and for which the entity is listed on the individual income tax return. In addition, each new entity is required to be listed on the individual income tax return for three consecutive taxable years before the \$10,000 requirement is applied to it.

Changes to the 2005 Income Tax Return

Three voluntary contributions were removed from the 2005 individual income tax return because they did not receive \$10,000 per year for the last three taxable years. These were 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. The removal of these voluntary contributions brought the total number of voluntary contributions down to 24. As a result, one new voluntary contribution was added to the list for the 2005 income tax return. Under the provisions of the 2005 legislation, the voluntary contribution that was added was for the Office of Commonwealth Preparedness.

Amounts Collected for Each Voluntary Contribution

The chart below provides the amounts collected for each voluntary contribution listed on the Virginia individual income tax voluntary contributions for the three previous taxable years.

Amount Collected for Voluntary Contributions - 2002-2004							
Program/Fund	First Return	2002 Return		2003 Return		2004 Return	
		Number	Amount	Number	Amount	Number	Amount
1. Virginia Nongame Wildlife Program	1981	6,542	158,685	6,224	151,215	5,795	142,694
2. Virginia Open Space Recreation and Conservation Fund	1988	2,987	63,080	2,828	62,108	2,530	57,120
3. Combined Political Party Contributions	1982	2,299	44,410	2,724	55,488	2,655	53,357
4. United States Olympic Committee	1988	1,325	22,402	1,413	26,821	1,209	22,369
5. Virginia Housing Program	1997	1,943	43,024	1,896	44,685	1,814	45,002
6. Virginia Family and Children's Trust Fund	1998	1,605	36,827	1,572	38,257	1,383	34,665
7. Virginia Elderly and Disabled Transportation Fund	1997	2,895	60,101	2,786	63,311	2,833	64,379
8. Community Policing Fund	1994	689	11,886	696	12,068	786	13,587
9. Virginia Arts Foundation	1997	1,392	26,813	1,358	27,161	1,146	21,267
10. Chesapeake Bay Restoration	1997	5,325	124,928	5,649	135,743	5,890	141,344
11. Historic Resources Fund	1998	933	16,525	887	15,731	744	13,360
12. Jamestown-Yorktown Foundation	2000	885	16,067	917	17,734	898	18,494
13. State Forests Systems Fund	1999	2,175	40,242	2,051	41,588	1,831	34,252
14. Uninsured Medical Catastrophe Fund	1999	1,336	30,297	1,148	27,269	1,118	24,879
15. Children of America Finding Hope	2001	905	17,162	959	19,746	1,031	22,684
16. 4-H Educational Centers (4H Camp)	2002	473	7,455	482	9,506	400	6,587
17. Public School Foundations	2002	1,033	27,836	1,033	56,521	1,319	35,276
18. Virginia Transplant Council	2002	411	6,664	392	7,418	335	5,928
19. Home Energy Assistance	2003			940	17,055	926	18,509
20. War Memorial & National D-Day Memorial	2003			968	18,383	745	14,078
21. Virginia Federation of Humane Societies	2004					850	16,027
22. Tuition Assistance Grant Fund	2004					598	11,350
23. Spay and Neuter Fund	2004					1,648	36,247
24. Commission for the Arts	2004					551	9,703
25. Office of Commonwealth Preparedness	Was added to the 2005 income tax return						
Total		35,153	\$754,404	36,923	\$847,808	39,035	\$863,158

Contributions Awaiting Action

Under current law, the voluntary contributions for the following programs or funds are waiting for space to open up on the return:

<u>Program/Fund</u>	<u>Enacted</u>	<u>Estimated Year Added To Return</u>
Cancer Centers	2004	2006
Brown v. Board of Education Scholarship	2005	2006
Martin Luther King, Jr. Living History & Public Policy Center	2005	2008
Virginia Caregivers Fund	2005	Unknown

Changes to the 2006 Income Tax Return

If the General Assembly takes no action, the voluntary contributions for the 4-H Educational Centers and the Virginia Transplant Council will be removed from the list on the 2006 individual income tax return. This will allow the voluntary contributions for the cancer centers in the Commonwealth and the Brown v. Board of Education Scholarship Program Fund to be added. If these voluntary contributions are added to the list, the voluntary contribution for the Martin Luther King, Jr. Living History and Public Policy Center Fund and the Virginia Caregivers Fund will remain on the waiting list.

In addition to the voluntary contributions that will be removed from the 2006 income tax return, the data indicates that the contribution for the Commission for the Arts also failed to receive \$10,000 in its first year on the return. Under the provisions of the 2005 legislation, however, each entity must appear on the income tax return for three consecutive taxable years before this test may be applied. As a result, this voluntary contribution will remain on the income tax return through 2007.

Proposal

This bill would establish the Virginia Military Family Relief Fund, which would be used to assist members of the Virginia National Guard and Virginia residents who are members of the reserves of the armed forces of the United States who have been called to extended active duty for periods in excess of 90 days, and their families, with living expenses, including but not limited to food, housing, utilities, and medical services.

The Council of the Virginia Military Relief Fund would be created to administer the Fund. The Council would be responsible for establishing rules and guidelines setting forth requirements for eligibility to receive awards from the Fund.

In addition, this bill would establish an individual income tax voluntary contribution to support this Fund. Unlike the voluntary contributions currently on the waiting list, which were placed in subsection B of Va. Code § 58.1-344.3, the contribution to support this Fund would be placed in subsection C, which would allow taxpayers to contribute their income tax refund or to make an additional payment. The 2005 legislation did not specify the order in which voluntary contributions should be added to the income tax return when they are located in different subsections. This bill, however, contains an ordering rule that would place this Fund third on the waiting list to be added to the return, ahead of the Martin Luther King, Jr. Living History and Public Policy Center Fund and the Virginia Caregivers Fund that are already on the waiting list.

The two voluntary contributions that would be ahead of the Fund on the waiting list would be the ones for the Office of Commonwealth Preparedness and the cancer centers in Virginia. Because the Office of Commonwealth Preparedness was added to the 2005 return, however, the Fund would actually be second on the waiting list. As a result, this voluntary contribution would be added to the 2006 individual income tax return, while the Brown v. Board of Education Scholarship Program Fund would remain on the waiting list with the Martin Luther King, Jr. Living History and Public Policy Center Fund and the Virginia Caregivers Fund.

The effective date of this bill is not specified.

Other Legislation

House Bill 628 is identical to this bill.

Senate Bill 385 would establish the Military Family Relief Fund of Virginia, which would be used to provide additional monetary support to National Guard members and reservists who have been called to active duty at either the state or federal level. The Fund would be administered by the Adjutant General.

cc : Secretary of Finance

Date: 01/16/2006 AMS
SB139F161