DEPARTMENT OF TAXATION
2006 Fiscal Impact Statement

1. Patron Thomas K. Norment, Jr.

3. Committee Senate Finance

4. Title Charitable Contributions for Hurricane Rita Relief Efforts.

2. Bill Number SB 155

House of Origin:

　X　 Introduced

＿＿＿ Substitute

＿＿＿ Engrossed

Second House:

＿＿＿ In Committee

＿＿＿ Substitute

＿＿＿ Enrolled

5. Summary/Purpose:

This bill would expand the temporary suspension of limits on charitable deductions to cover donations made by corporations for Hurricane Rita relief efforts. A temporary suspension of limits on charitable deductions is in effect at the federal level for corporate donations for Hurricane Katrina relief efforts.

This bill contains an emergency clause and would go into effect from its passage.

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

6b. Revenue Impact:

Fiscal Year	Dollars	Fund
2005-06	($97,800)	GF
2006-07	$4,300	GF
2007-08	$2,300	GF
2008-09	($100)	GF
2009-10	($600)	GF
2010-11	($1,000)	GF
2011-12	($2,900)	GF

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill would have a negative revenue impact of $97,800 for FY 2006, a positive revenue impact of $4,300 for FY 2007, $2,300 for FY 2008, a revenue loss of $100 for FY 2009, $600 for FY 2010, $1,000 for FY 2011, and $2,900 for FY 2012. One provision of the federal bill that will flow through to Virginia allows for a temporary suspension (from August 28, 2005 through December 31, 2005) of charitable contribution limitations.

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.

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

Department of Taxation

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

11. **Other comments:**

Federal Law

The Katrina Emergency Tax Relief Act of 2005 ("KETRA"), included a temporary suspension of limitation on the amount of charitable contributions an individual or corporation could make and deduct in calculating federal adjusted gross income so long as the qualified contribution was paid during the period beginning on August 28, 2005 and ending on December 31, 2005, in cash to a proper organization. In the case of a contribution made by a corporation, such contribution must be made for relief efforts related to Hurricane Katrina. This deduction permitted on the federal level will not flow through to Virginia in calculating Virginia taxable income unless the IRC conformity date (currently January 7, 2005) is updated.

On December 22, 2005, the Gulf Opportunity Zone Act of 2005 ("Gulf") was enacted. Among other provisions, the act suspends the limitation on corporate contributions for the relief of victims of Hurricanes Rita and Wilma.

Proposal

This bill would expand the temporary suspension of limitation on the amount of charitable contributions a corporation could make and deduct for Virginia income tax purposes to include those same qualified contributions made by a corporation for relief efforts related to Hurricane Rita, provided that the contribution meets all conditions and requirements of subsection (d) of § 301 of KETRA.

Other Legislation

HB 531 and **SB 69** would advance the date as of which Virginia conforms to the IRC to December 31, 2005. This would allow the provisions of both the KETRA and Gulf Acts to flow through to Virginians.

cc : Secretary of Finance