

# DEPARTMENT OF TAXATION

## 2007 Fiscal Impact Statement

1. **Patron** Frederick M. Quayle
3. **Committee** Passed House and Senate
4. **Title** Individual Income Tax; Voluntary Contributions

2. **Bill Number** SB 954  
**House of Origin:**  
           **Introduced**  
           **Substitute**  
           **Engrossed**
- Second House:**  
           **In Committee**  
           **Substitute**  
  X   **Enrolled**

**5. Summary/Purpose:**

This bill would add a voluntary contribution for the Department for the Aging ("VDA") to the individual income tax return. Funds received from this voluntary contribution would be used to provide Medicare Part D counseling to the elderly and disabled.

Under current law, no more than 25 voluntary contributions may be listed on the individual income tax returns. Following the statutory process enacted in 2005, TAX intends to add the voluntary contribution for the Martin Luther King, Jr. Living History and Public Policy Center Fund to the 2007 individual income tax return. The order in which voluntary contributions would be added to the return as space becomes available is: (1) the Virginia Caregivers Fund, (2) the Virginia Military Family Relief Fund, and (3) the proposed VDA Medicare Part D Counseling Fund.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)
7. **Budget amendment necessary:** No.
8. **Fiscal implications:**

Administrative Costs - TAX

TAX considers implementation of this bill as routine, and does not require additional funding.

Administrative Costs – VDA

This bill would have a minimal fiscal impact on VDA. The Department for the Aging would have to contract for the counseling services, which would impose a minimal administrative cost to the agency. However, no budget amendment is required as the agency would be able to handle the additional cost within its current resources.

## Revenue Impact

This bill would have no revenue impact.

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

Department of Taxation  
Department for the Aging  
Secretary of Health and Human Resources

### **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 2006 Income Tax Return

Two voluntary contributions were removed from the 2006 individual income tax return. These were the contributions for the 4-H Educational Centers and the Virginia Transplant Council. The removal of these voluntary contributions brought the total number of voluntary contributions down to 23. As a result, two new voluntary contributions were allowed to be added to the list for the 2006 income tax return. Under the provisions of the process adopted in 2005, the voluntary contributions that were added were for the Cancer Centers in the Commonwealth and the Brown v. Board of Education Scholarship Program Fund.

#### Amounts Collected for Each Voluntary Contribution

The chart below provides the amounts collected for each voluntary contribution listed on the 2006 Virginia individual income tax return and the contributions they received for the three previous taxable years.

<b>Amount Collected for Voluntary Contributions - 2003-2005</b>							
<b>Program/Fund</b>	<b>First Return</b>	<b>2003 Return</b>		<b>2004 Return</b>		<b>2005 Return</b>	
		<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>
1. Virginia Nongame Wildlife Program	1981	6,224	\$151,215	5,795	\$142,694	5,757	\$142,237
2. Virginia Open Space Recreation and Conservation Fund	1988	2,828	\$62,108	2,530	\$57,120	2,726	\$63,488
3. Combined Political Party Contributions	1982	2,724	\$55,488	2,655	\$53,357	2,691	\$55,298
4. United States Olympic Committee	1988	1,413	\$26,821	1,209	\$22,369	1,310	\$25,069
5. Virginia Housing Program	1997	1,896	\$44,685	1,814	\$45,002	1,901	\$45,729
6. Virginia Family and Children's Trust Fund	1998	1,572	\$38,257	1,383	\$34,665	1,434	\$36,251
7. Virginia Elderly and Disabled Transportation Fund	1997	2,786	\$63,311	2,833	\$64,379	3,067	\$71,018
8. Community Policing Fund	1994	696	\$12,068	786	\$13,587	820	\$16,270
9. Virginia Arts Foundation	1997	1,358	\$27,161	1,146	\$21,267	1,176	\$20,578
10. Chesapeake Bay Restoration	1997	5,649	\$135,743	5,890	\$141,344	6,034	\$150,589
11. Historic Resources Fund	1998	887	\$15,731	744	\$13,360	933	\$16,302
12. Jamestown-Yorktown Foundation	2000	917	\$17,734	898	\$18,494	1,022	\$21,977
13. State Forests Systems Fund	1999	2,051	\$41,588	1,831	\$34,252	2,036	\$37,533
14. Uninsured Medical Catastrophe Fund	1999	1,148	\$27,269	1,118	\$24,879	1,108	\$26,618
15. Children of America Finding Hope	2001	959	\$19,746	1,031	\$22,684	964	\$23,804
16. Public School Foundations	2002	1,033	\$56,521	1,319	\$35,276	1,443	\$41,736
17. Home Energy Assistance	2003	940	\$17,055	926	\$18,509	1,297	\$30,108
18. War Memorial & National D-Day Memorial	2003	968	\$18,383	745	\$14,078	759	\$14,828
19. Virginia Federation of Humane Societies	2004			850	\$16,027	1,077	\$23,720
20. Tuition Assistance Grant Fund	2004			598	\$11,350	685	\$13,090
21. Spay and Neuter Fund	2004			1,648	\$36,247	1,752	\$37,191
22. Commission for the Arts	2004			551	\$9,703	690	\$11,592
23. Office of Commonwealth Preparedness	2005					228	\$3,100
24. Cancer Centers	Was added to the 2006 income tax return						
25. Brown v. Board of Education Scholarship Program Fund	Was added to the 2006 income tax return						
<b>Total</b>		<b>36,049</b>	<b>\$830,884</b>	<b>38,300</b>	<b>\$850,643</b>	<b>40,901</b>	<b>\$928,126</b>

### 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>
Martin Luther King, Jr. Living History & Public Policy Center	2005	2007
Virginia Caregivers Fund	2005	2008
Virginia Military Family Relief Fund	2006	2008

### Changes to the 2007 Income Tax Return

If the General Assembly takes no action, the voluntary contribution for the Commission for the Arts will be removed from the list on the 2007 individual income tax return. The Commission for the Arts failed to receive \$10,000 in its first year on the return, 2004, even though it received more than \$10,000 in its second year on the return. Under the

requirements of *Va. Code* § 58.1-344.3 A.1, an entity must receive at least \$10,000 in each of the three preceding years. In 2006 the Commission for the Arts will have appeared on the return for three taxable years, as required by *Va. Code* § 58.1-344.3 A.3.b, but it will be impossible for it to satisfy the requirement in subdivision A.1. Therefore, the Commission for the Arts will be removed from the return after 2006.

The removal of the Commission for the Arts from the 2007 return will allow the voluntary contribution for the Martin Luther King, Jr. Living History and Public Policy Center Fund to be added. If this voluntary contribution is added, the voluntary contributions for the Virginia Caregivers Grant Fund and the Virginia Military Family Relief Fund will remain on the waiting list.

#### Current Voluntary Contribution for the Department for the Aging

The Department for the Aging currently receives money from a voluntary contribution that is used for the enhancement of transportation services for the elderly and disabled. All contributions are deposited into a special fund known as the Transportation Services for the Elderly and Disabled Fund and are used by VDA for the enhancement of transportation services for the elderly and disabled. The Department for the Aging is required to conduct an annual audit of the moneys received from the voluntary contribution. In addition, VDA must provide an evaluation of all programs funded by the voluntary contribution annually to the Secretary of Health and Human Resources.

#### Proposal

This bill would add a second voluntary contribution for VDA to the individual income tax return. If the General Assembly takes no action and the voluntary contribution for the Martin Luther King, Jr. Living History and Public Policy Center Fund is allowed to be added to the 2007 individual income tax return, this new voluntary contribution would be third on the waiting list.

The voluntary contributions listed under *Va. Code* § 58.1-433.3 are divided between subsection B, which only allows taxpayers to make donations from their income tax refunds, and subsection C, which allows taxpayers to contribute their income tax refund or to make an additional payment. Because this organization would be added to subsection B, it would be restricted to receiving voluntary contributions only from income tax refunds.

All moneys contributed to VDA would be deposited into a special fund known as the Medicare Part D Counseling Fund and would be used by VDA to provide counseling for the elderly and disabled regarding Medicare Part D. The Department for the Aging would be required to conduct an annual audit of the moneys received from this voluntary contribution. In addition, VDA would be required to provide an evaluation of all programs funded by this voluntary contribution to the Secretary of Health and Human Resources.

#### Similar Legislation

**House Bill 2602** would create new voluntary contributions for public library foundations and Celebrating Special Children, Inc.

cc : Secretary of Finance  
Secretary of Health and Human Resources

Date: 2/19/2007 AMS  
SB954FER161