

# DEPARTMENT OF TAXATION

## 2008 Fiscal Impact Statement

1. **Patron** Robert B. Bell

2. **Bill Number** HB 1000

3. **Committee** Passed House and Senate

**House of Origin:**

       **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Income Tax: Voluntary Contribution for  
Virginia Foundation for Community College  
Education

**Second House:**

       **In Committee**

       **Substitute**

  X   **Enrolled**

### 5. **Summary/Purpose:**

This bill would add Community Foundations and the Virginia Foundation for Community College Education to the list of voluntary contributions that may be added to the individual income tax return.

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 Virginia Caregivers Foundation and the Virginia Military Family Relief Fund to the 2008 individual income tax return. The order in which voluntary contributions would be added to the return as space becomes available is: (1) the Public Library Foundations, (2) Celebrating Special Children, Inc. Fund, (3) Medicare Part D Counseling Fund, (4) Community Foundations, and (5) the Virginia Foundation for Community College Education.

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

## Revenue Impact

This bill would have no revenue impact, as all contributions come from individual income tax refunds or additional payments made by individual taxpayers and not from General Fund revenues.

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

Department of Taxation  
Community Foundations  
Virginia Foundation for Community College Education

### **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.

Pursuant to House Bill 2303, which was passed during the 2005 General Assembly Session, TAX is required to report to the Chairmen of the Senate and House Finance Committees the amounts collected for each voluntary contribution for the three most recent taxable years for which there is complete data. This report is also required to list which entities, if any, will be removed from the Virginia individual income tax return because they have failed to meet the \$10,000 per year requirement. Finally, the report must list which entities, if any, will be added to the income tax return in order to bring the total number of voluntary contributions to 25.

#### Changes to the 2007 Income Tax Return

One voluntary contribution was removed from the 2007 individual income tax return. This was the contribution for the Commission for the Arts. The removal of this voluntary contribution brought the total number of voluntary contributions down to 24. As a result, one new voluntary contribution was allowed to be added to the list for the 2007 income tax return. Under the provisions of House Bill 2303, the voluntary contribution that was added was for the Martin Luther King, Jr. Living History and Public Policy Center Fund.

#### Amounts Collected for Each Voluntary Contribution

The chart below provides the amounts collected for each voluntary contribution that will be listed on the 2007 Virginia individual income tax voluntary contributions for the three previous taxable years.

Amount Collected for Voluntary Contributions - 2004-2006							
Program/Fund	First Return	2004 Return		2005 Return		2006 Return	
		Number	Amount	Number	Amount	Number	Amount
1. Virginia Nongame Wildlife Program	1981	5,795	\$142,694	5,757	\$142,237	5,685	\$143,799
2. Virginia Open Space Recreation and Conservation Fund	1988	2,530	\$57,120	2,726	\$63,488	2,661	\$64,209
3. Combined Political Party Contributions	1982	2,655	\$53,357	2,691	\$55,298	2,626	\$53,201
4. United States Olympic Committee	1988	1,209	\$22,369	1,310	\$25,069	1,138	\$22,164
5. Virginia Housing Program	1997	1,814	\$45,002	1,901	\$45,729	1,889	\$45,264
6. Virginia Family and Children's Trust Fund	1998	1,383	\$34,665	1,434	\$36,251	1,299	\$36,034
7. Virginia Elderly and Disabled Transportation Fund	1997	2,833	\$64,379	3,067	\$71,018	3,107	\$74,548
8. Community Policing Fund	1994	786	\$13,587	820	\$16,270	810	\$14,872
9. Virginia Arts Foundation	1997	1,146	\$21,267	1,176	\$20,578	1,190	\$24,258
10. Chesapeake Bay Restoration	1997	5,890	\$141,344	6,034	\$150,589	6,255	\$164,221
11. Historic Resources Fund	1998	744	\$13,360	933	\$16,302	945	\$16,447
12. Jamestown-Yorktown Foundation	2000	898	\$18,494	1,022	\$21,977	1,082	\$25,903
13. State Forests Systems Fund	1999	1,831	\$34,252	2,036	\$37,533	2,100	\$40,959
14. Uninsured Medical Catastrophe Fund	1999	1,118	\$24,879	1,108	\$26,618	1,138	\$30,456
15. Children of America Finding Hope	2001	1,031	\$22,684	964	\$23,804	974	\$23,456
16. Public School Foundations	2002	1,319	\$35,276	1,443	\$41,736	1,451	\$45,310
17. Home Energy Assistance	2003	926	\$18,509	1,297	\$30,108	1,303	\$30,477
18. War Memorial & National D-Day Memorial	2003	745	\$14,078	759	\$14,828	715	\$14,930
19. Virginia Federation of Humane Societies	2004	850	\$16,027	1,077	\$23,720	1,199	\$26,647
20. Tuition Assistance Grant Fund	2004	598	\$11,350	685	\$13,090	715	\$18,936
21. Spay and Neuter Fund	2004	1,648	\$36,247	1,752	\$37,191	1,736	\$38,329
22. Office of Commonwealth Preparedness	2005			228	\$3,100	236	\$2,828
23. Cancer Centers	2006					1,101	\$29,671
24. Brown v. Board of Education Scholarship Program Fund	2006					274	\$6,914
25. Martin Luther King, Jr. Living History and Public Policy Center Fund	Was added to the 2007 income tax return						
Total		37,749	\$840,940	40,220	\$916,534	41,629	\$993,833

### 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>
Public Library Foundations	2007	2009
Celebrating Special Children, Inc. Fund	2007	Unknown
Medicare Part D Counseling Fund	2007	Unknown

## Changes to the 2008 Income Tax Return

If the General Assembly takes no action, the voluntary contribution for the Office of Commonwealth Preparedness will be removed from the list on the 2008 individual income tax return. The Office of Commonwealth Preparedness failed to receive \$10,000 in its first two years on the return, which were 2005 and 2006. 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 2007, the Office of Commonwealth Preparedness 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 requirements in subdivision A.1. Therefore, the Office of Commonwealth Preparedness will be removed from the list after the 2007 return.

The voluntary contribution for the Jamestown-Yorktown Foundation will also be removed from the individual income tax return for 2008. While this organization has not failed to receive \$10,000 per year in contributions, it is only authorized for taxable years beginning before January 1, 2008 under *Va. Code* § 58.1-344.3 C.3. Thus, it may only remain on the return through 2007.

The removal of the Office of Commonwealth Preparedness and Jamestown-Yorktown Foundation from the 2008 return will allow the voluntary contributions for the Virginia Caregivers Grant Fund and the Virginia Military Family Relief Fund to be added. If these voluntary contributions are added, the voluntary contributions for the Public Library Foundations, the Celebrating Special Children, Inc. Fund, and the Medicare Part D Counseling Fund will remain on the waiting list.

## Proposal

This bill would add Community Foundations and the Virginia Foundation for Community College Education to the list of voluntary contributions that may be added to the individual income tax return. A "Community Foundation" would be defined as any institution that meets the membership requirements for a Community Foundation established by the Council on Foundations.

This bill would require that all moneys contributed to the Community Foundations would be deposited into the state treasury. The Tax Commissioner would be required to annually determine the total amounts designated on all returns for each Community Foundation and would report those amounts to the State Treasurer. The State Treasurer would then pay the appropriate amount to the respective Community Foundation.

This bill would also require that voluntary contributions made to the Virginia Foundation for Community College Education be deposited into a special fund called the Virginia Foundation for Community College Education Fund. These funds would be administered by the Virginia Foundation for Community College Education, in accordance with and for the purposes provided under the Community College Incentive Scholarship Program. The funds would be used to provide monetary assistance to Virginia residents who are enrolled in comprehensive community colleges in Virginia.

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 Community Foundations and the Virginia Foundation for Community College Education would be added to subsection B, they would be restricted to receiving voluntary contributions only from income tax refunds.

The effective date of this bill is not specified.

#### Similar Legislation

**Senate Bill 240** would clarify the voluntary contribution for the Martin Luther King, Jr. Living History and Public Policy Center.

**Senate Bill 561** would add Community Foundations to the list of organizations that may be added to the individual income tax return.

cc : Secretary of Finance

Date: 2/26/2008 TG  
HB1000ER161