

DEPARTMENT OF TAXATION

2010 Fiscal Impact Statement

1. **Patron** Patrick A. Hope

3. **Committee** House Finance

4. **Title** Income Tax: Voluntary Contribution for
Nonprofit Human Services Programs

2. **Bill Number** HB 425

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would add nonprofit human services programs to the list of voluntary contributions that may be added to the individual income tax return. All funds received from this voluntary contribution would be used by pre-approved nonprofit human services programs in participating localities.

Under current law, no more than 25 voluntary contributions may be listed on the individual income tax returns. The order in which voluntary contributions would be added to the return as space becomes available is: (1) Medicare Part D Counseling Fund, (2) Community Foundations, (3) Virginia Foundation for Community College Education, (4) Middle Peninsula Chesapeake Bay Public Access Authority, (5) Breast and Cervical Cancer Prevention and Treatment Fund, (6) Virginia Aquarium and Marine Science Center, and (7) nonprofit human services programs.

The effective date of this bill is not specified.

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

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

8. **Fiscal implications:**

Administrative Costs

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.

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
All Localities

10. Technical amendment necessary: Yes.

Because corporate income taxpayers cannot make contributions under *Va. Code* § 58.1-344.3, and in order to allow individuals to make a contribution to any nonprofit services program, the following technical amendment is suggested:

Page 5, Line 264, after eligible nonprofit.

Strike: Refunds may be designated and contributions made by individual taxpayers residing within, and corporate income taxpayers doing business within, the locality.

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 2009 Income Tax Return

The voluntary contribution for the Brown v. Board of Education Scholarship Fund was removed from the list on the 2009 individual income tax return. The Brown v. Board of Education Scholarship Fund failed to receive \$10,000 per year in its first three years on the return, which were 2006 through 2008. 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.

As of 2008, the Brown v. Board of Education Scholarship Fund had appeared on the return for three taxable years, as required by Va. Code § 58.1-344.3 A.3.b, without receiving the required level of contributions. Therefore, the Brown v. Board of Education Scholarship Fund was removed from the list on the 2009 return.

In addition, the voluntary contribution for the Virginia Caregivers Grant Program Fund was removed from the list on the 2009 individual income tax return. The voluntary contribution for the Virginia Caregivers Grant Program Fund was added to the 2008 income tax return, and was scheduled to have remained on the list at least for taxable years 2009 and 2010. However, in February 2009, TAX was notified by the Virginia Department of Social Services (DSS) that the Virginia Caregivers Grant Program was not funded in the final budget for Fiscal Year 2009, and that it did not expect the Virginia Caregivers Grant Program to be funded for Fiscal Year 2010 or 2011. Because the Program would not be able to use contributions for three years, DSS suggested that TAX remove the contribution from the tax return forms and replace it with another organization.

The removal of the voluntary contributions for the Brown v. Board of Education Scholarship Program Fund and the Virginia Caregivers Grant Program Fund from the 2009 return allowed the voluntary contributions for Public Libraries Foundations and Celebrating Special Children, Inc. to be added. With the addition of these two voluntary contributions, the Medicare Part D Counseling Fund, Community Foundations, the Virginia Foundation for Community College Education, the Middle Peninsula Chesapeake Bay Public Access Authority, the Breast and Cervical Cancer Prevention and Treatment Fund, and the Virginia Aquarium and Marine Science Center will remain on the waiting list.

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>
Medicare Part D Counseling Fund	2007	Unknown
Community Foundations	2008	Unknown
Virginia Foundation for Community College Education	2008	Unknown
Middle Peninsula Chesapeake Bay Public Access Authority	2009	Unknown
Breast and Cervical Cancer Prevention and Treatment Fund	2009	Unknown
Virginia Aquarium and Marine Science Center	2009	Unknown

Changes to the 2010 Income Tax Return

At this time, there are no organizations that are scheduled to be removed from the list of voluntary contributions on the 2010 individual income tax return. The data indicates that the current organizations have all met the \$10,000 threshold. If any organizations fail to meet that threshold on the 2009 return and all other requirements are met, however, such organizations would be removed from the 2010 income tax return.

Amounts Collected for Each Voluntary Contribution

The chart below provides the amounts collected for each voluntary contribution that will be listed on the 2009 Virginia individual income tax return and the amount contributed to each in the three previous taxable years.

Amount Collected for Voluntary Contributions - 2006-2008							
Program/Fund	First Return	2006 Return		2007 Return		2008 Return	
		Number	Amount	Number	Amount	Number	Amount
1. Virginia Nongame Wildlife Program	1981	5,685	\$143,799	6,010	\$148,221	6,189	\$153,436
2. Virginia Open Space Recreation and Conservation Fund	1988	2,661	\$64,209	3,018	\$67,979	2,991	\$67,463
3. Combined Political Party Contributions	1982	2,626	\$53,201	2,919	\$58,834	3,839	\$81,063
4. United States Olympic Committee	1988	1,138	\$22,164	1,345	\$27,765	1,452	\$29,214
5. Virginia Housing Program	1997	1,889	\$45,264	2,202	\$51,396	2,384	\$55,430
6. Virginia Family and Children's Trust Fund	1998	1,299	\$36,034	1,383	\$33,787	1,535	\$36,312
7. Virginia Elderly and Disabled Transportation Fund	1997	3,107	\$74,548	3,508	\$80,536	4,027	\$94,522
8. Community Policing Fund	1994	810	\$14,872	1,028	\$19,718	1,161	\$22,029
9. Virginia Arts Foundation	1997	1,190	\$24,258	1,687	\$32,372	1,899	\$38,295
10. Chesapeake Bay Restoration	1997	6,255	\$164,221	4,800	\$123,169	5,262	\$131,822
11. Historic Resources Fund	1998	945	\$16,447	1,212	\$22,485	1,254	\$23,149
12. State Forests Systems Fund	1999	2,100	\$40,959	1,902	\$37,315	1,963	\$37,624
13. Uninsured Medical Catastrophe Fund	1999	1,138	\$30,456	1,141	\$23,818	1,244	\$25,828
14. Children of America Finding Hope	2001	974	\$23,456	1,052	\$24,334	1,163	\$23,417
15. Public School Foundations	2002	1,451	\$45,310	1,232	\$40,538	1,775	\$56,392
16. Home Energy Assistance	2003	1,303	\$30,477	1,677	\$35,885	1,977	\$41,655
17. War Memorial & National D-Day Memorial	2003	715	\$14,930	802	\$15,080	912	\$18,056
18. Virginia Federation of Humane Societies	2004	1,199	\$26,647	1,537	\$36,752	1,781	\$40,421
19. Tuition Assistance Grant Fund	2004	715	\$18,936	902	\$16,328	1,078	\$19,088
20. Spay and Neuter Fund	2004	1,736	\$38,329	2,283	\$46,532	2,954	\$63,567
21. Cancer Centers	2006	1,101	\$29,671	1,682	\$38,718	2,101	\$49,961
22. Martin Luther King, Jr. Living History and Public Policy Center Fund	2007			632	\$11,738	1,010	\$18,619
23. Virginia Military Family Relief Fund	2008					2,229	\$55,330
24. Public libraries foundations	Was added to the 2009 income tax return						
25. Celebrating Special Children, Inc.	Was added to the 2009 income tax return						
Total		40,037	\$958,188	43,954	\$993,300	52,180	\$1,182,693

Proposal

This bill would add nonprofit human services programs to the list of voluntary contributions that may be added to the individual income tax return.

All funds received from this voluntary contribution would be used by pre-approved nonprofit human services programs in participating localities. This bill would require such nonprofits to apply with and be chosen by the Department of Social Services in each locality. The funds received from the voluntary contribution would be required to be used to fund core, essential human services. Ten percent or less of the funds would be allowed to be used to fund the administrative costs of the eligible nonprofit.

Contributions could be designated by individuals living in the locality. The Tax Commissioner would determine annually the total amounts designated on all returns for each eligible nonprofit human services program and would report it to the State Treasurer. The State Treasurer would then pay the appropriate amount to the respective Commissioner of Revenue or Finance Director for the locality in which such nonprofit is located.

In order for a nonprofit human services program to be eligible to receive contributions, the Commissioner of Revenue or Finance Director for the locality in which the nonprofit was located would be required to notify TAX during the taxable year in which the locality wanted to participate prior to the deadlines and according to the procedures established by the Tax Commissioner.

The voluntary contributions listed under *Va. Code* § 58.1-344.3 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 the voluntary contribution for nonprofit human services programs would be added to subsection C, it would be able to receive voluntary contributions from income tax refunds as well as donations made from an income tax return.

The effective date of this bill is not specified.

Similar Bills

House Bill 325 and **House Bill 464** would direct the Department for the Aging to establish and maintain the Respite Care Registry to make information about adult day services providers, community respite care organizations, and other providers of respite care available to the public and would add the Respite Care Registry Fund to the list of voluntary contributions that may be added to the individual income tax return.

cc : Secretary of Finance

Date: 1/17/2010 JKM
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