

Department of Planning and Budget 2010 Fiscal Impact Statement

1. Bill Number: SB633

House of Origin X Introduced Substitute Engrossed
 Second House In Committee Substitute Enrolled

2. Patron: Stosch**3. Committee:** Finance**4. Title:** Neighborhood assistance tax credits; impoverished people.

5. Summary: Changes the definition of “impoverished people” for education proposals under the Neighborhood Assistance Act Tax Credit program from 180 percent to 200 percent of the current federal poverty guidelines. For other than education proposals, the definition of “impoverished people” remains defined as individuals with family annual income not in excess of 150 percent of the current poverty guidelines.

6. Fiscal impact estimates are preliminary. See item 8, below.**7. Budget Amendment Necessary:** No.

8. Fiscal Implications: It is anticipated that the bill will not have an expenditure or revenue impact.

The amount of credits that may be granted in a fiscal year is \$11.9 million, of which \$4.9 million is allocated to education proposals and \$7 million to non-education proposals. No credits may be authorized after FY 2011.

The bill does not change the amount of the current cap. It does, however, increase the number of programs that may be eligible for the credits and may therefore impact demand.

It is not anticipated that the bill will have a fiscal impact on the Department of Taxation. Any impact will depend on the total number of bills the General Assembly enacts that require modifications to the department’s taxpayer system.

9. Specific Agency or Political Subdivisions Affected: Departments of Taxation, Social Services, and Education.

10. Technical Amendment Necessary: No.

11. Other Comments: The Virginia Neighborhood Assistance Act provides an income tax credit to businesses and individuals that donate to neighborhood organizations for approved programs that benefit impoverished people. Under this Act, a neighborhood organization is allocated funding through the Neighborhood Assistance Act Program. The Department of Social Services (DSS) and the Department of Education (DOE) are responsible for approving

the programs and allocating the tax credits to the neighborhood organizations. When an individual or business donates to an organization that qualifies as a neighborhood organization, they are eligible to receive an income tax credit from that neighborhood organization.

A business contributing to an approved Neighborhood Assistance Program organization is eligible for an income tax credit equal to 40 percent of the contribution. HB30/SB30 allows a business contribution of \$400; a contributing business may take a maximum of \$175,000 Neighborhood Assistance Program credits in a taxable year. An individual who contributes directly to an approved Neighborhood Assistance Program organization is also eligible for an income tax credit equal to 40 percent of the contribution. The minimum donation by an individual must be at least \$500, and the maximum tax credit is \$50,000.

HB1224, currently in House Finance, would amend the definition of “neighborhood organizations” to include any health care program of a county, city, or town serving impoverished people.

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