

DEPARTMENT OF TAXATION

2011 Fiscal Impact Statement

1. **Patron** Walter A. Stosch

2. **Bill Number** SB 1129

3. **Committee** House Finance

House of Origin:

 Introduced

 Substitute

 X **Engrossed**

4. **Title** Income Tax: Neighborhood Assistance Act
Tax Credit; Extends Sunset Date

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would extend the sunset date for the issuance of tax credits allowed under the Neighborhood Assistance Act from 2011 to 2016.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

8. **Fiscal implications:**

Department of Taxation Administrative Impact

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

Department of Social Services Administrative Impact

The Department of Social Services reports that its administration of the Neighborhood Assistance Tax Credit program would not be directly affected by this change.

Revenue Impact

This bill would have no impact on General Fund revenues because the continuation of the credits is assumed in the revenue forecast.

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

Department of Taxation
Department of Social Services

10. Technical amendment necessary: No.

11. Other comments:

Current Law

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") is 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. Tax credits are available if the contribution value is at least \$1,000 or no more than \$437,500. The minimum tax credit that may be issued to a business contribution is \$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.

The total amount of credits that may be granted for each fiscal year is \$11.9 million. Out of this amount \$4.9 million is allocated to education proposals, while the remaining \$7 million is allocated to all other proposals. No credits may be authorized after Fiscal Year 2011.

Proposal

This bill would extend the sunset date for the issuance of tax credits allowed under the Neighborhood Assistance Act from 2011 to 2016.

The effective date of this bill is not specified.

Other Legislation

House Bill 1846 would expand the professional services eligible for tax credits under the Neighborhood Assistance Act to include services provided by mediators certified by the Judicial Council of Virginia.

House Bill 2231 would expand the types of business firms eligible for tax credits under the Neighborhood Assistance Act to include trusts.

Senate Bill 742 would expand the health care services eligible for tax credits to include pharmacists donating pharmaceutical services, at the direction of an approved organization, to patients of a nonprofit free clinic.

Senate Bill 863 would change the definition of "impoverished people" for any type of proposal under the Neighborhood Assistance Act Tax Credit program to include individuals with family annual income not in excess of 200 percent of the current federal poverty guidelines.

cc : Secretary of Finance

Date: 2/8/2011 TG
SB1129FE161