

DEPARTMENT OF TAXATION

2013 Fiscal Impact Statement

1. **Patron** William M. Stanley, Jr.

2. **Bill Number** SB 1009

3. **Committee** Passed House and Senate

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

4. **Title** Neighborhood Assistance Act Tax Credits

Second House:

☐ In Committee

☐ Substitute

☒ Enrolled

5. **Summary/Purpose:**

This bill would make several changes to the Neighborhood Assistance Act Tax Credit. Specifically, this bill would require that at least 50 percent of the neighborhood organization's revenues be used to provide services to low-income persons or to eligible students with disabilities. This bill would also clarify the type of accounting reports that must be provided by neighborhood organizations

This bill would require a neighborhood organization to be in existence for at least one year prior to having a proposal for Neighborhood Assistance Act Tax Credits approved by the Department of Social Services ("DSS") or the Department of Education ("DOE"). This bill also specifies that a neighborhood organization and its affiliates must meet the requirements of the application regulations and guidelines in order for a proposal to be approved.

The effective date of this bill is not specified.

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

7. **No Fiscal Impact.** (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department"), DSS, and DOE consider implementation of this bill as routine and are not requesting additional funding.

Revenue Impact

As the annual amount of Neighborhood Assistance Act Tax Credits is capped and this bill does not change the cap, this bill would have no impact on General Fund revenue.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Social Services
Department of Education

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 and the Department of Education are responsible for approving the programs and allocating the tax credits to the neighborhood organizations. An individual or business that donates to an organization that qualifies as a neighborhood organization is then eligible to receive an income tax credit from that neighborhood organization.

A neighborhood organization is any local, regional or statewide organization whose primary function is providing neighborhood assistance for impoverished people and that is exempt from taxation under the provisions of IRC §§ 501(c)(3) and 501(c)(4), or any organization defined as a community action agency in the Economic Opportunity Act of 1964, or any housing authority as defined in *Va. Code* § 36-3. To qualify for this credit, at least 50 percent of the persons served by the organization must (1) be low-income persons with an annual family income not in excess of 300 percent of the current poverty guidelines or (2) eligible students with disabilities.

The Neighborhood Assistance Act Tax Credit is equal to 65 percent of the value of the money, property, professional services, and contracting services donated by a business firm, or 65 percent of the monetary donation or donation of marketable securities made by an individual. The minimum tax credit that may be issued to a business contribution is \$400. The minimum donation by an individual must be at least \$500, and the maximum tax credit for an individual or for married persons is \$50,000. Any unused tax credits may be carried over for the next five succeeding taxable years or until the total amount of credit has been taken, whichever is sooner.

Proposed Legislation

This bill would make several changes to the Neighborhood Assistance Act Tax Credit. Specifically, this bill would require that at least 50 percent of the neighborhood organization's revenues be used to provide services to low-income persons or to eligible students with disabilities.

This bill would also clarify the type of accounting reports that must be provided by neighborhood organizations prior to approval for allocating tax credits. Current law requires that regulations or guidelines adopted by the Department of Social Services or

the Department of Education contain a requirement that neighborhood organizations provide an annual audit, review, or compilation as required under federal standards. This bill would clarify this requirement by stating that neighborhood organizations with total revenues in excess of \$100,000 for the organization's most recent year must provide an audit or review for the year performed by an independent certified public accountant. Neighborhood organizations with revenues of \$100,000 or less for the organization's most recent year would be required to provide a compilation for the year performed by an independent certified public accountant.

This bill would require a neighborhood organization to be in existence for at least one year prior to having a proposal for Neighborhood Assistance Act Tax Credits approved by DSS or DOE. This bill also specifies that a neighborhood organization and its affiliates must meet the requirements of the application regulations and guidelines in order for a proposal to be approved.

The effective date of this bill is not specified.

Similar Legislation – Executive Bills

House Bill 1996 and **Senate Bill 1227** would make several changes to the Neighborhood Assistance Act Tax Credit and the Education Improvement Scholarships Tax Credit.

cc : Secretary of Finance

Date: 2/21/2013 KLC
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