

DEPARTMENT OF TAXATION

2015 Fiscal Impact Statement

1. **Patron** Tony O. Wilt

3. **Committee** House Finance

4. **Title** Neighborhood Assistance Act Tax Credit;
Amends Credit Requirements and Allows a
Lower Tax Credit by Agreement

2. **Bill Number** HB 1701

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

The Department of Taxation ("the Department") understands that the Patron will offer a substitute for this bill. This fiscal impact statement is drafted based on the substitute version.

This bill would allow a business firm or any individual that is eligible for the Neighborhood Assistance Act Tax Credit to agree in writing to a credit amount equal to less than 65 percent of the qualified donation.

This bill would be effective for taxable years beginning on or after January 1, 2015.

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

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

8. **Fiscal implications:**

Administrative Costs

The Department of Social Services, Department of Education, and the Department consider implementation of this bill as routine, and do not require additional funding.

Revenue Impact

This bill would allow neighborhood organizations the option to reduce the credit amount for certain donations, but would not alter the credit cap. Because this would simply result in a reallocation of credit amounts without affecting the overall amount of credits issued, this bill would have no impact on General Fund revenues.

9. Specific agency or political subdivisions affected:

Department of Social Services
Department of Education
Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Current Law

The Virginia Neighborhood Assistance Act provides an income tax credit to business firms 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 programs proposed by neighborhood organizations and allocating Neighborhood Assistance Act Tax Credits to neighborhood organizations with approved programs. An business firm or individual that makes a donation to a neighborhood organization for an approved program is then eligible to receive an income tax credit from that neighborhood organization.

The amount of the credit for a business firm or individual who donates professional services is equal to 65 percent of the value of the money, property, professional services, or contracting services donated by such taxpayer to a neighborhood organization for an approved program. No credit less than \$400 may be granted to a business firm or individual who provides professional services for any donation. Therefore, a business firm or individual who provides professional services must make a donation with a value of at least \$616 to meet the minimum credit threshold, and receive an allocation of credits.

The amount of the credit for an individual who makes a monetary donation or marketable securities donation to a neighborhood organization for an approved program is equal to 65 percent of the value of such donation. To receive an allocation of credits, an individual is required to make a donation of at least \$500. For purposes of determining the amount of credits allocated to an individual, the value of the individual's donation is limited to the lesser of the actual value of the donation or \$125,000. The \$125,000 cap on the value of donations caps the credit at \$81,250 per taxpayer.

The Department of Education and Department of Social Services are required to issue credits to a business firm or individual upon receipt of a certification made by a neighborhood organization that was allocated credits for an approved program. The certification is required to identify the type and value of the donation received, and the individual or business firm making the donation.

Proposed Legislation

This bill would allow a business firm or any individual that is eligible for the Neighborhood Assistance Act Tax Credit to agree in writing to a credit amount equal to less than 65 percent of the qualified donation.

This bill would require the certification made by a neighborhood organization to the Department of Education or the Department of Social Services that identifies the business firm or any individual that made a donation and the type and value of such donation to also include the tax credit percentage used in determining the amount of the credit. Such certification would also be required to include any written agreement under which a business firm or individual accepts credits valued at less than 65 percent of the value of a donation.

This bill would prohibit the granting of credits to a business firm or individual donating professional services if the donation is valued at less than \$616. Pursuant to current law, no credit less than \$400 may be granted to a business firm or individual that donates professional services. Because the credit is equal to 65 percent of a donation, a donor must make a donation of at least \$616 to earn a credit equal to \$400, and meet the minimum credit threshold. Therefore, this provision is merely a technical change, and would not change the \$616 minimum donation amount.

This bill would be effective for taxable years beginning on or after January 1, 2015

Similar Bills

House Bill 1459 would allow a physician specialist or other health care professional specialist who donates specialty medical services to patients referred from certain approved neighborhood organizations to be eligible to receive an allocation of Neighborhood Assistance Act Tax Credits regardless of where the specialty medical services are delivered.

House Bill 1939 would reduce the amount of the Neighborhood Assistance Act Tax Credit from 65 percent of the value of a qualified donation to 60 percent and increase the maximum credit for individuals from \$81,250 to \$81,300.

House Bill 2124 would reduce the amount of the Neighborhood Assistance Act Tax Credit from 65 percent of the value of a qualified donation to 60 percent for donations made during Calendar Year 2016, to 55 percent for donations made during Calendar Year 2017, and to 50 percent for donations made during Calendar Year 2018.

cc : Secretary of Finance

Date: 1/20/2015 MTH
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