

DEPARTMENT OF TAXATION

2015 Fiscal Impact Statement

1. **Patron** T. Monty Mason

3. **Committee** House Finance

4. **Title** Neighborhood Assistance Act Tax Credits;
Reduces Credit Amount

2. **Bill Number** HB 2124

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would reduce the amount of the Neighborhood Assistance Act Tax credit from 65 percent of the value of a qualified donation made by a business firm or individual to a neighborhood organization for an approved program 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 and thereafter.

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

Revenue Impact

This bill would reduce the credit amount for each donation, but would not alter the credit cap. Because this bill would simply result in a reallocation of credit amounts without affecting the overall amount of credit issued, it 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.

Proposed Legislation

This bill would reduce the amount of the Neighborhood Assistance Act Tax credit from 65 percent of the value of a qualified donation made by a business firm or individual to a neighborhood organization for an approved program 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 and thereafter.

The effective date of this bill is not specified.

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 1701 would allow a business firm or individual that is eligible for the Neighborhood Assistance Act Tax Credit to agree to a credit equal to less than 65 percent of the qualified donation.

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.

cc : Secretary of Finance

Date: 1/20/2015 MTH
HB2124F161