

DEPARTMENT OF TAXATION

2016 Fiscal Impact Statement

1. **Patron** J. Chapman Petersen

2. **Bill Number** SB 115

3. **Committee** Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Individual Income Tax; Sunset Provision for
Tax Credit for Contributions to Political
Candidates

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would create a January 1, 2017 sunset date for the individual income tax credit for contributions to political candidates. This credit is allowed for contributions to political candidates in a primary, special, or general election for local or state office held in the year in which the contribution was made. The credit is equal to 50 percent of such contribution, up to \$25 for an individual taxpayer, or \$50 for taxpayers filing a joint return.

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:**

Administrative Costs

The Department of Taxation ("the Department") considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

This bill would have a revenue impact to the extent that the General Assembly does not extend the sunset date next year. If the tax credit expires on January 1, 2017, as proposed by this bill, there would be an annual \$670,000 positive General Fund revenue impact, beginning in Fiscal Year 2018. This estimate is based on the average amount of such credits that were claimed during the previous five fiscal years.

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

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Federal Tax Credit for Political Contributions

Beginning in 1971, federal law provided a similar credit that was claimed on the federal income tax return. The credit equaled 50 percent of the contributions with a maximum of a \$50 credit for individuals or \$100 credit for joint filers for contributions to political candidates and certain political organizations. The credit was repealed by the Tax Reform Act of 1986.

Virginia Tax Credit for Political Contributions

The tax credit for contributions to political candidates was originally enacted during the 1999 General Assembly Session (1999 *Acts of Assembly*, Chapter 464). This credit is allowed for contributions to political candidates in a primary, special, or general election for local or state office held in the year in which the contribution was made. The credit is equal to 50 percent of such contribution, up to \$25 for an individual taxpayer, or \$50 for taxpayers filing a joint return. The credit is non-refundable, and unused credits cannot be carried over to subsequent years.

For purposes of this credit, "candidate" means a person who seeks or campaigns for an office of the Commonwealth or one of its governmental units in a general, primary, or special election and who is qualified to have his name placed on the ballot for the office. A "candidate" includes a person who seeks the nomination of a political party or who, by reason of receiving the nomination of a political party for election to an office, is referred to as its nominee.

The Department processed returns during Fiscal Years 2008 through 2015 claiming the tax credit for contributions to political candidates in the following amounts:

Fiscal Year	Number of Returns	Amount Claimed
2008	18,984	\$678,370
2009	21,392	\$722,201
2010	24,890	\$868,723
2011	16,908	\$587,501
2012	16,456	\$575,137
2013	20,580	\$702,770
2014	18,946	\$655,893
2015	17,357	\$604,377

Proposed Legislation

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year in which the contribution was made. The credit is equal to 50 percent of such contribution, up to \$25 for an individual taxpayer, or \$50 for taxpayers filing a joint return.

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Similar Bills

House Bill 22 is identical to this bill.

cc : Secretary of Finance

Date: 2/29/2016 MTH
SB115FER161