

# DEPARTMENT OF TAXATION

## 2017 Fiscal Impact Statement

1. **Patron** Bill R. DeSteph, Jr.

2. **Bill Number** SB 1168

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

3. **Committee** Passed House and Senate

4. **Title** Income Tax; Neighborhood Assistance Act  
Tax Credits Program

**Second House:**

           **In Committee**

           **Substitute**

      X       **Enrolled**

### 5. **Summary/Purpose:**

The bill would reorganize the provisions of the Neighborhood Assistance Act Tax Credit program to set out separate sections for the portions of the program administered by the Department of Social Services and the Department of Education.

The bill would also provide that, for education proposals submitted to the Department of Education, expenditures for teacher salaries would count toward the requirement that at least 50 percent of a neighborhood organization's revenues be used to provide services to low-income persons or to eligible students with disabilities.

This bill would modify the Neighborhood Assistance Act Tax Credit by eliminating the requirement that 10 percent of all available tax credits each year must be set aside for neighborhood organizations that did not receive an allocation of tax credits in the previous year. In its place, this bill would impose a requirement that, in any year in which the available amount of tax credits exceeds the previous year's available amount, 10 percent of all tax credits created by the increase in available tax credits must be set aside for neighborhood organizations that did not receive an allocation of tax credits in the previous year. This would allow a set aside of tax credits for new organizations only in years during which there is an increase in funding for the Neighborhood Assistance Act Tax Credit program.

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”), the Department of Education (“DOE”), and the Department of Social Services (“DSS”) consider implementation of this bill as routine, and do not require additional funding.

### Revenue Impact

This bill would have no impact on General Fund revenues because it would neither change the annual credit cap nor the credit eligibility requirements that apply to taxpayers claiming the credit. This bill would reorganize the provisions of the Neighborhood Assistance Act Tax Credit program to set out separate sections for the portions of the program administered by the Department of Social Services and the Department of Education and make certain changes to which neighborhood organizations are authorized to receive an allocation of credits. While this bill might affect which neighborhood organizations receive an allocation of credits, this bill would have no impact on General Fund revenue because the total amount of tax credits may not exceed the annual fiscal year cap.

## **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:**

### Virginia Neighborhood Assistance Act Tax Credit

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. A 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.

Under current law, the total amount of credits that may be granted to such neighborhood organizations for each fiscal year is subject to an annual cap in the following amounts:

	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016 (and after)</b>
Education Proposals	\$8 million	\$8.5 million	\$9 million
Other Proposals	\$7 million	\$7.5 million	\$8 million
<b>TOTAL</b>	<b>\$15 million</b>	<b>\$16 million</b>	<b>\$17 million</b>

The Neighborhood Assistance Act Tax Credit is currently oversubscribed. The chart below lists the amount of credits requested by neighborhood organizations wishing to obtain an allocation of credits and the annual credit cap for Fiscal Years 2014 through 2017:

	<b>Education Proposals</b>		<b>Other Proposals</b>	
<b>Fiscal Year</b>	<b>Credits Requested</b>	<b>Annual Cap</b>	<b>Credits Requested</b>	<b>Annual Cap</b>
2014	\$11.1 million	\$8.0 million	\$18.5 million	\$7.0 million
2015	\$17.8 million	\$8.5 million	\$22.2 million	\$7.5 million
2016	\$19.4 million	\$9 million	\$26.7 million	\$8 million
2017	\$18.1 million	\$9 million	\$27.2 million	\$8 million
<b>Total</b>	<b>\$66.4 million</b>	<b>\$34.5 million</b>	<b>\$94.6 million</b>	<b>\$30.5 million</b>

### Proposed Legislation

The bill would reorganize the provisions of the Neighborhood Assistance Act Tax Credit program to set out separate sections for the portions of the program administered by the Department of Social Services and the Department of Education.

The bill would also provide that, for education proposals submitted to the Department of Education, expenditures for teacher salaries would count toward the requirement that at least 50 percent of a neighborhood organization's revenues be used to provide services to low-income persons or to eligible students with disabilities.

This bill would modify the Neighborhood Assistance Act Tax Credit by eliminating the requirement that 10 percent of all available tax credits each year must be set aside for neighborhood organizations that did not receive an allocation of tax credits in the previous year. In its place, this bill would impose a requirement that, in any year in which the available amount of tax credits exceeds the previous year's available amount, 10 percent of all tax credits created by the increase in available tax credits must be set aside for neighborhood organizations that did not receive an allocation of tax credits in the previous year. This would allow a set aside of tax credits for new organizations only in years during which there is an increase in funding for the Neighborhood Assistance Act Tax Credit program.

The effective date of this bill is not specified.

#### Similar Bills

**House Bill 1433** would modify the Neighborhood Assistance Act Tax Credit by eliminating the requirement that 10 percent of all available tax credits each year must be set aside for neighborhood organizations that did not receive an allocation of tax credits in the previous year and replace it with a set aside provision that would apply only in years where the cap is increased.

**House Bill 1838** would require neighborhood organizations to provide additional information to the Department of Education when submitting education proposals for the Neighborhood Assistance Act Tax Credit program.

**Senate Bill 1165** would require that the Department of Education and Department of Social Services consider, in allocating Neighborhood Assistance Act Tax Credits, measures of accountability for proposals.

cc : Secretary of Finance

Date: 5/3/2017 JJS  
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