

DEPARTMENT OF TAXATION

2023 Fiscal Impact Statement

1. **Patron** James W. Morefield

3. **Committee** House Finance

4. **Title** Income Tax Credits; Neighborhood Assistance Program; Education Improvement Scholarships

2. **Bill Number** HB 2431

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would make several amendments to expand the availability of the Neighborhood Assistance Program Tax Credit ("NAP Tax Credit") and the Education Improvement Scholarships Tax Credit ("EISTC"). The bill would make the decisions of the Department of Education ("VDOE") regarding the qualification of a scholarship foundation or the awarding of EISTC subject to judicial review. For the EISTC, the bill would allow certified public accountants to receive tax credits for donations of accounting services to scholarship organizations.

The bill would provide that the annual allocation of tax credits among neighborhood organizations will not rely solely on the amount of credits awarded in the previous year. For the EISTC, the bill would allow certified public accountants to receive tax credits for donations of accounting services to scholarship organizations. The bill would also authorize scholarship foundations, which are the sole recipient of funding from the issuance of EISTC, to receive funding for scholastic assistance, defined in the bill as counseling or supportive services.

If enacted during the regular session of the 2023 General Assembly, this bill would become effective for July 1, 2023.

6. **Budget amendment necessary:** Yes.

Item(s): Item 135, Department of Education

7. **Fiscal Impact Estimates are:** Preliminary (See Line 8.)

7a. **Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2023-24	\$126,674	1	GF
2024-25	\$126,674	1	GF
2025-26	\$126,674	1	GF
2026-27	\$126,674	1	GF
2027-28	\$126,674	1	GF
2028-29	\$126,674	1	GF

8. Fiscal implications:

Administrative Costs

The Department of Taxation considers implementation of this bill to be routine and does not require additional funding.

VDOE administers the education functions of the Neighborhood Assistance Program. This bill would result in VDOE incurring annual costs of \$126,674 beginning in Fiscal Year 2024 which would include the cost of one full-time employee. The Department of Social Services' ("VDSS") responsibilities with regard to the program include the allocation of the VDSS tax credits for which an agency process already exists. The execution of those expanded provisions detailed in this bill can be absorbed within current capacity levels. Therefore, if this legislation is passed, there will be no fiscal impact to VDSS.

Revenue Impact

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:

Proposed Legislation

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Similar Legislation

Senate Bill 1506 would make various changes to NAP Tax Credit and EISTC, including increase the NAP Tax Credit cap for certain proposals.

cc : Secretary of Finance

Date: 1/26/2023 VB
HB2431F161