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## SENATE BILL NO. 920

Senate Amendments in [ ] — January 24, 1997

A BILL to amend and reenact §§ 58.1-333, 58.1-430, and 63.1-320 through 63.1-325 of the Code of Virginia, relating to the Neighborhood Assistance Act.

Patrons—Stosch, Barry, Earley, Gartlan, Hawkins, Houck and Howell

Referred to the Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-333, 58.1-430, and 63.1-320 through 63.1-325 of the Code of Virginia are amended and reenacted as follows:

§ 58.1-333. Tax credit for donations under the Neighborhood Assistance Act.

Any business firm, as defined in § 63.1-321, shall be allowed a credit against the tax imposed by Article 2 (§ 58.1-320 or Chapter 12 *et seq.*) of this title, §§ 58.1-2501 and 58.1-2626 chapter of an amount equal to fifty ~~forty~~ percent of the total sum ~~invested~~ *donated* under the Neighborhood Assistance Act of 1981 (§ 63.1-320 *et seq.*) during the taxable year, such credit not to exceed \$175,000 annually. No tax credit of less than fifty dollars shall be granted, nor shall a tax credit be granted to any business firm for investments if such activity is part of its normal course of business as defined in § 63.1-321. Any tax credit not usable for the taxable year the investment was made may be carried over to the extent usable for the next five succeeding taxable years or until the full credit is utilized, whichever is sooner. Credits granted to a partnership or S corporation shall be passed through to the partners or shareholders, respectively, as provided in § 63.1-324.

§ 58.1-430. Tax credit for donations under the Neighborhood Assistance Act.

Any business firm, as defined in § 63.1-321, shall be allowed a credit against the tax imposed by Article 10 (§ 58.1-400 or Chapter 12 *et seq.*) of this title, §§ 58.1-2501 and 58.1-2626 chapter of an amount equal to fifty ~~forty~~ percent of the total sum ~~invested~~ *donated* under the Neighborhood Assistance Act of 1981 (§ 63.1-320 *et seq.*) during the taxable year, such credit not to exceed \$175,000 annually. No tax credit of less than fifty dollars shall be granted, nor shall a tax credit be granted to any business firm for investments if such activity is a part of its normal course of business as defined in § 63.1-321. Any tax credit not usable for the taxable year the investment was made may be carried over to the extent usable for the next five succeeding taxable years or until the full credit is utilized, whichever is sooner. Credits granted to a partnership or Subchapter S corporation shall be passed through to the partners or shareholders, respectively, as provided in § 63.1-324.

§ 63.1-320. Short title.

This chapter shall be known and may be cited as the "Neighborhood Assistance Act of 1981."

§ 63.1-321. Definitions.

As used in this chapter:

"Business firm" means any business entity authorized to do business in the Commonwealth of Virginia and subject to the state income tax on net corporation income (§ 58.1-400 *et seq.*) or a public service company subject to a franchise or license tax on gross receipts, or a bank, bank and trust company, insurance company, trust company, national bank, mutual savings bank, savings institution, partnership, *electing small business (Subchapter S) corporation, limited liability company, or sole proprietorship authorized to do business in this Commonwealth subject to tax imposed by Articles 2 (§ 58.1-320 et seq.) and 10 (§ 58.1-400 et seq.) of Chapter 3, Chapter 12 (§ 58.1-1200 et seq.), Article 1 (§ 58.1-2500 et seq.) of Chapter 25, or Article 2 (§ 58.1-2620 et seq.) of Chapter 26 of Title 58.1.*

"Community services" means any type of counseling and advice, emergency assistance, medical care, provision of basic necessities, or services designed to minimize the effects of poverty, furnished [ primarily ] to individuals or groups in an impoverished area, or impoverished people.

"Crime prevention" means any activity which aids the prevention or reduction of crime in an impoverished area.

"Education" means any type of scholastic instruction or scholarship assistance to an individual who is impoverished.

"Impoverished area" means any area in Virginia which is approved as such by the Director of the Department of Planning and Budget or his designee. Such approval shall be made on the basis of federal census studies or current indices of social and economic conditions or both.

"Housing assistance" means furnishing financial assistance, labor, material, or technical advice to aid the physical improvement of the homes of impoverished people.

"Impoverished people" means people in Virginia approved as such by the Director of the Department

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60 of Planning and Budget or his designee *State Board of Social Services*. Such approval shall be made on  
61 the basis of generally recognized low income criteria used by federal and state agencies.

62 "Job training" means any type of instruction to an individual who is impoverished that enables him  
63 to acquire vocational skills so that he can become employable or able to seek a higher grade of  
64 employment.

65 "*Neighborhood assistance*" means providing community services, education, housing assistance, or  
66 job training.

67 "Neighborhood organization" means any [ *local, regional or statewide* ] organization performing  
68 community services in an impoverished area or whose primary function is providing neighborhood  
69 assistance for impoverished people, and holding a ruling from the Internal Revenue Service of the  
70 United States Department of the Treasury that the organization is exempt from income taxation under  
71 the provisions of §§ 501 (c) (3) and 501 (c) (4) of the Internal Revenue Code of 1986, as amended from  
72 time to time, or any organization defined as a community action agency in the Economic Opportunity  
73 Act of 1964 (42 U.S.C. § 2701 et seq.), or any housing authority as defined in § 36-3.

74 "Neighborhood assistance" means furnishing financial assistance, labor, material, or technical advice  
75 to aid in the physical improvement of any part or all of an impoverished area, or to aid the physical  
76 improvement of the homes of impoverished people.

77 "Normal course of business" means those acts which are engaged in by a business firm with a view  
78 toward winning financial gain, or those acts which are performed by a business firm in the conduct of  
79 the business firm as a business.

80 "Professional services" means any type of personal service to the public which requires as a  
81 condition precedent to the rendering of such service the obtaining of a license or other legal  
82 authorization and shall include, but shall not be limited to, the personal services rendered by medical  
83 doctors, dentists, architects, professional engineers, certified public accountants and attorneys-at-law.

84 § 63.1-322. Public policy; business firms; donations.

85 It is hereby declared to be public policy of the Commonwealth of Virginia to encourage direct  
86 investment by business firms in offering neighborhood assistance and providing job training, education,  
87 crime prevention, and community services to make donations to neighborhood organizations to for the  
88 benefit individuals living in impoverished areas or of impoverished people.

89 § 63.1-323.; Proposals; regulations; tax credits authorized; amount for programs.

90 A. Any business firm that engages in the activities of providing neighborhood assistance, job training  
91 or education for individuals not employed by the business firm, community services or crime prevention  
92 services in an impoverished area or for impoverished people shall receive a tax credit as provided in  
93 § 63.1-324, if neighborhood organization may submit a proposal to the Commissioner of Social Services  
94 or his designee approves the proposal of such requesting an allocation of tax credits for use by business  
95 firm or of a firms making donations to the neighborhood organization. The proposal shall set forth the  
96 program to be conducted by the neighborhood organization, the impoverished area or impoverished  
97 people selected to be assisted, the estimated amount to be invested in donated to the program and the  
98 plans for implementing the program. A copy of the proposal shall be submitted by the Commissioner of  
99 Social Services or his designee to all planning district commissions within whose boundaries the  
100 proposal will operate. The planning district commissions shall thereafter notify their respective local  
101 units of government of the contents of the proposal. Such commission or the governing body of each  
102 governmental subdivision may thereafter comment in writing on the proposal to the Commissioner or his  
103 designee. If, in the opinion of the Commissioner or his designee, a business firm's investment can more  
104 consistently meet with the purposes of this chapter if made through contributions to a nonprofit  
105 neighborhood organization, a tax credit may similarly be allowed as provided in § 63.1-324.

106 B. The State Board of Social Services is hereby authorized to promulgate regulations for the approval  
107 or disapproval of such proposals by business firms or neighborhood organizations and for determining  
108 the value of the donations. Such regulations shall contain a requirement that an annual audit be provided  
109 by the business firm or neighborhood organization as a prerequisite for approval. Such regulations shall  
110 provide for the equitable allocation of the available amount of tax credits among the approved  
111 proposals submitted by neighborhood organizations. The regulations shall also provide that [ at least ]  
112 ten percent of the available amount of tax credits each year shall be allocated to qualified programs  
113 proposed by neighborhood organizations not receiving allocations in the preceding year; however, if the  
114 amount of tax credits for qualified programs requested by such neighborhood organizations is less than  
115 ten percent of the available amount of tax credits, the unallocated portion of such ten percent of the  
116 available amount of tax credits shall be allocated to qualified programs proposed by other  
117 neighborhood organizations.

118 C. If the Commissioner of Social Services or his designee approves a proposal submitted by a  
119 neighborhood organization, the organization shall make the allocated tax credit amounts available to  
120 business firms making donations to the approved program. A neighborhood organization shall not  
121 assign or transfer an allocation of tax credits to another neighborhood organization without the

approval of the Commissioner of Social Services or his designee.

D. Through June 30, 1998, the total amount of tax credit credits granted for programs approved under this chapter for each fiscal year shall not exceed \$5,250,000. From July 1, 1998, through June 30, 2000, the total amount of tax credit credits granted for programs approved under this chapter for each fiscal year shall not exceed eight million dollars; however, the \$2,750,000 annual increase in the amount of tax credits during the period July 1, 1998, through June 30, 2000, shall be allocated to education programs conducted by neighborhood organizations. Effective July 1, 1998, for purposes of this section, impoverished areas shall meet the following criteria: (i) have twenty-five percent or more of the population with incomes below eighty percent of the median income of the locality; (ii) have an unemployment rate of at least 1.5 times the state average; or (iii) have a demonstrated floor area vacancy rate of industrial and/or commercial properties of twenty percent or more. Such allocation of the increase in the amount of tax credits to education programs shall constitute the minimum amount of tax credits to be allocated to education programs. [ However, if the amount of tax credits requested by neighborhood organizations for qualified education programs is less than \$2,750,000 in fiscal year 1998-1999 or fiscal year 1999-2000, the balance of such amount shall be allocated to other types of qualified programs. ] Tax credits shall not be authorized after fiscal year 2000.

§ 63.1-324. Tax credit; amount; limitation; carry over.

A. The Commissioner of the Department of Social Services or his designee shall certify to the Commissioner of the Department of Taxation, or in the case of public service corporations business firms subject to a license tax imposed by Chapter 26 (§ 58.1-2600 et seq.) under Article 1 (§ 58.1-2500 et seq.) of Chapter 25 or Article 2 (§ 58.1-2620 et seq.) of Chapter 26 of Title 58.1, to the Director of Public Service Taxation for the State Corporation Commission, the applicability of the tax credit provided herein for a business firm against any tax due under Article 10 (§ 58.1-400 et seq.) of Chapter 3 of Title 58.1 or against any income tax, franchise tax, gross receipts tax or premium tax due from a public service company, bank, bank and trust company, trust company, insurance company, other than a foreign fire or casualty insurance company, national bank, mutual savings bank, savings institution, partnership, S corporation, or sole proprietorship, in an amount equaling fifty percent of the total amount invested by the business firm during its taxable year in programs approved pursuant to § 63.1-323. Notwithstanding the provisions of § 63.1-325, credits granted to a clinic organized in whole or in part for the delivery of health care services without charge may be assigned by the clinic to physicians and dentists who are licensed pursuant to Title 54.1 and who provide health care services without charge within the scope of their licensure at the clinic.

B. A business firm shall be eligible for a credit against the taxes imposed by Articles 2 (§ 58.1-320 et seq.) and 10 (§ 58.1-400 et seq.) of Chapter 3, Chapter 12 (§ 58.1-1200 et seq.), Article 1 (§ 58.1-2500 et seq.) of Chapter 25, or Article 2 (§ 58.1-2620 et seq.) of Chapter 26 of Title 58.1, in an amount equal to forty percent of the value of the money, property, and professional services donated by the business firm during its taxable year to neighborhood organizations for programs approved pursuant to § 63.1-323. No tax credit of less than \$50 \$400 shall be granted for any individual proposal donation, and a business firm shall not be allowed a tax credit in excess of \$175,000 per taxable year. No tax credit shall be granted to any business firm for activities that are a part of its normal course of business donations to a neighborhood organization providing job training or education for individuals employed by the business firm. Any tax credit not usable for the period taxable year the investment donation was made may be carried over to the extent usable for the next five succeeding taxable years or until the full credit has been utilized, whichever is sooner. Credits granted to a partnership, electing small business (Subchapter S) corporation, or limited liability company shall be allocated to their individual partners, shareholders, or members, respectively, in proportion to their ownership or interest in such business entities.

C. A tax credit shall be issued by the Commissioner of Social Services to a business firm upon receipt of a certification made by a neighborhood organization to whom tax credits were allocated for an approved program pursuant to § 63.1-323. The certification shall identify the type and value of the donation received and the business firm making the donation. A business firm shall be eligible for a tax credit under this section only to the extent that sufficient tax credits allocated to the neighborhood organization for an approved project are available.

§ 63.1-325. Donations of professional services.

A. Tax credits shall not be allowed under this chapter for the time spent by a self-employed person who renders A sole proprietor or partnership engaged in the business of providing professional services shall be eligible for a tax credit under this chapter based on the time spent by the proprietor or a partner, respectively, who renders professional services to a project program which has [ been approved for tax credit status by received an allocation of tax credits from ] the Commissioner of the Department of Social Services or his designee; provided, however, that an employer. The value of the professional services, for purposes of determining the amount of the tax credit allowable, rendered by the proprietor

183 or a partner to an approved program shall not exceed the lesser of (i) the reasonable cost for similar  
184 services from other providers or (ii) \$125 per hour.

185 B. A business firm shall be ~~allowed~~ eligible for a tax credit under this chapter for the time spent by a  
186 salaried employee who renders professional services to ~~such~~ an approved ~~project~~ program. The value of  
187 the professional services, for purposes of determining the amount of tax credit allowed to ~~an employer~~ a  
188 business firm for time spent by ~~his~~ its salaried employee in rendering professional services to an  
189 approved project, shall be equal to ~~one-half~~ the salary that such employee was actually paid for the  
190 period of time that such employee rendered professional services to the approved ~~project~~ program.

191 C. Notwithstanding any provision of this chapter limiting eligibility for tax credits to business firms,  
192 physicians and dentists licensed pursuant to Title 54.1 who provide health care services within the scope  
193 of their licensure, without charge, at a clinic [ which has received an allocation of tax credits from the  
194 Commissioner of Social Services or his designee and is ] organized in whole or in part for the delivery  
195 of health care services without charge, shall be eligible for a tax credit pursuant to § 63.1-324 based on  
196 the time spent in providing health care services at such clinic. The value of such services, for purposes  
197 of determining the amount of the tax credit allowable, rendered by the physician or dentist shall not  
198 exceed the lesser of (i) the reasonable cost for similar services from other providers or (ii) \$125 per  
199 hour.