

DEPARTMENT OF TAXATION

2005 Fiscal Impact Statement

1. **Patron** William H. Fralin, Jr.

3. **Committee** House Finance

4. **Title** Individual Income Tax: Western Virginia
Cultural Organizations Check-Off

2. **Bill Number** HB 2300

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would establish the Western Virginia Region Cultural Organizations Fund and create a permanent individual income tax check-off for voluntary contributions to the Fund. Taxpayers would be allowed to contribute \$1 or more of their refund to be used by 17 organizations in promoting the arts in the western region of the Commonwealth.

Va. Code § 30-19.1:10 determined that no more than 25 voluntary contributions of refunds provisions shall be in the Virginia Code and listed on the individual income tax returns. This section also provides a process for the removal and addition of such organizations. The order of presentation in the instructions and now, removal, is determined by the numerical order of the enabling legislation, determined by the Code Commission. In that the maximum number of such contributions has been met for the 2005 taxable year, Va. Code § 30-19.1:10 does not permit additional organizations to be listed on the income tax returns. This section also identified the next two qualifying organizations to be added.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Not provided. (See Line 8.)

6a. **Expenditure Impact:**

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Fund</i> |
|---------------------------|-----------------------|--------------------|
| 2004-05 | \$0 | GF |
| 2005-06 | \$93,120 | GF |
| 2006-07 | \$6,180 | GF |
| 2007-08 | \$6,365 | GF |
| 2008-09 | \$6,556 | GF |
| 2009-10 | \$6,753 | GF |
| 2010-11 | \$6,956 | GF |

7. **Budget amendment necessary:** Yes.

ITEM(S): 284 and 286, Department of Taxation

8. **Fiscal implications:**

Administrative Costs

The Department would incur administrative costs of \$93,120 in FY 2006, \$6,180 in FY 2007, \$6,365 in FY 2008, \$6,556 in FY 2009, \$6,753 in FY 2010, and \$6,956 in FY 2011 for systems development, forms revision and additional costs for data capture. For taxable years beginning on and after January 1, 2003, the Department is allowed to retain up to five percent of all voluntary contributions made for the taxable year for its costs to administer voluntary contributions. However, the Department cannot retain more than \$50,000 for any taxable year.

Revenue Impact

This bill would have no impact on General Fund revenues because check-offs are voluntary contributions made by taxpayers that reduce their income tax refunds.

9. Specific agency or political subdivisions affected:

Department of Taxation
Treasurer of Virginia

10. Technical amendment necessary: No.

11. Other comments:

Virginia had 27 active voluntary contributions for the taxable year 2004. Provisions for three organizations expired on December 31, 2004. *Virginia Code* § 30-19.1:10, enacted by the 2004 General Assembly, limits the number of qualifying organizations to 25, and requires that organizations receive at least \$10,000 in voluntary contributions for at least 3 consecutive years are to be continued on the tax return.

The second enactment of 2004 *Acts of Assembly*, Chapter 649, identifies the next two organizations to be added to the tax return as: (i) the Department of Emergency Management for the Office of Commonwealth Preparedness, and (ii) all entities in the Commonwealth officially designated as cancer centers by the National Cancer Institute. However, the General Assembly has not enacted legislation authorizing voluntary tax return contributions for either organization.

The chart on the next page provides historical contribution data on the individual income tax voluntary contributions. Three organizations no longer qualify for voluntary contributions from the income tax returns because the enabling legislation authorized them only through the 2004 taxable year. Therefore, one new voluntary contribution can be listed on the tax return for 2005.

| No. | Va. Code Cite | Program/Fund | First Return | Sunset Date | 2001 Return | | 2002 Return | | 2003 Return | |
|-----|---------------|--|--------------|-------------|-------------|-----------|-------------|-----------|-------------|-----------|
| | | | | | Number | Amount | Number | Amount | Number | Amount |
| 1 | 58.1-345 | Virginia Nongame Wildlife Program | 1981 | Permanent | 6,336 | 153,283 | 6,542 | 158,685 | 6,224 | 151,215 |
| 2 | 58.1-345.1 | Virginia Open Space Recreation and Conservation Fund | 1988 | Permanent | 2,662 | 56,129 | 2,987 | 63,080 | 2,828 | 62,108 |
| 3 | 58.1-346 | Virginia Democratic Party | 1982 | Permanent | 1,219 | \$22,949 | 1,310 | \$25,437 | 1,721 | \$35,291 |
| 3 | 58.1-346 | Virginia Republican Party | 1982 | Permanent | 912 | 17,261 | 989 | 18,973 | 1,003 | 20,197 |
| 4 | 58.1-346.1:1 | United States Olympic Committee | 1988 | Permanent | 1,444 | 24,317 | 1,325 | 22,402 | 1,413 | 26,821 |
| 5 | 58.1-346.2:1 | Virginia Housing Program | 1997 | Permanent | 1,803 | 39,898 | 1,943 | 43,024 | 1,896 | 44,685 |
| 6 | 58.1-346.3:1 | Virginia Family and Children's Trust Fund | 1998 | Permanent | 1,888 | 41,960 | 1,605 | 36,827 | 1,572 | 38,257 |
| 7 | 58.1-346.4:1 | Virginia Elderly and Disabled Transportation Fund | 1997 | Permanent | 2,877 | 59,993 | 2,895 | 60,101 | 2,786 | 63,311 |
| 8 | 58.1-346.5 | Community Policing Fund | 1994 | Permanent | 641 | 10,321 | 689 | 11,886 | 696 | 12,068 |
| 9 | 58.1-346.6 | Virginia Arts Foundation | 1997 | Permanent | 1,239 | 26,262 | 1,392 | 26,813 | 1,358 | 27,161 |
| 10 | 58.1-346.7 | Chesapeake Bay Restoration | 1997 | Permanent | 5,900 | 139,111 | 5,325 | 124,928 | 5,649 | 135,743 |
| 11 | 58.1-346.8 | Historic Resources Fund | 1998 | 2008 | 763 | 13,186 | 933 | 16,525 | 887 | 15,731 |
| 12 | 58.1-346.9 | Jamestown-Yorktown Foundation | 2000 | 2007 | 847 | 16,932 | 885 | 16,067 | 917 | 17,734 |
| 13 | 58.1-346.10 | Humanities & Public Policy * | 1999 | 2004 | 298 | 4,519 | 349 | 6,701 | 343 | 5,856 |
| 14 | 58.1-346.11 | Center for Government Studies * | 1999 | 2004 | 171 | 2,468 | 172 | 2,734 | 157 | 2,461 |
| 15 | 58.1-346.12 | Law & Economics Center * | 1999 | 2004 | 138 | 2,579 | 165 | 3,186 | 189 | 3,399 |
| 16 | 58.1-346.13 | State Forests Systems Fund | 1999 | Permanent | 2,443 | 45,433 | 2,175 | 40,242 | 2,051 | 41,588 |
| 17 | 58.1-346.14 | Uninsured Medical Catastrophe Fund | 1999 | Permanent | 1,361 | 31,879 | 1,336 | 30,297 | 1,148 | 27,269 |
| 18 | 58.1-346.15 | Children of America Finding Hope | 2001 | Permanent | 388 | 6,783 | 905 | 17,162 | 959 | 19,746 |
| 19 | 58.1-346.16 | 4-H Educational Centers (4H Camp) | 2002 | 2006 | | | 473 | 7,455 | 482 | 9,506 |
| 20 | 58.1-346.17 | Public School Foundations | 2002 | 2006 | | | 1,033 | 27,836 | 1,033 | 56,521 |
| 21 | 58.1-346.18 | Virginia Transplant Council | 2002 | 2006 | | | 411 | 6,664 | 392 | 7,418 |
| 22 | 58.1-346.19 | Home Energy Assistance | 2003 | Permanent | | | | | 940 | 17,055 |
| 23 | 58.1-346.20 | War Memorial & National D-Day Memorial | 2003 | 2007 | | | | | 968 | 18,383 |
| 24 | 58.1-346.21 | Virginia Federation of Humane Societies | 2004 | 2008 | | | | | | |
| 25 | 58.1-346.22 | Tuition Assistance Grant Fund | 2004 | 2008 | | | | | | |
| 26 | 58.1-346.23 | Spay and Neuter Fund | 2004 | 2008 | | | | | | |
| 27 | 58.1-346.24 | Commission for the Arts | 2004 | 2008 | | | | | | |
| | | Total | | | 33,330 | \$715,263 | 35,839 | \$767,025 | 37,612 | \$859,524 |

Refund Check-Offs In Other States

A survey of check-off contributions of the other states that impose a broad-based income tax on individuals shows that Virginia has by far the most check-offs. The states with the most check-offs are Oregon with 18 and Oklahoma with 16. The average number of check-offs per state is 6.

Proposal

This bill would establish the Western Virginia Region Cultural Organizations Fund and create a permanent individual income tax check-off for voluntary contributions to the Fund. Taxpayers would be allowed to contribute \$1 or more of their refund to be used by specific organizations in promoting the arts in the western region of the Commonwealth.

The organizations identified in the bill are the Art Museum of Western Virginia, Arts Council of the Blue Ridge, Center in the Square, Harrison Museum of African American Culture, History Museum & Historical Society of Western Virginia, Jefferson Center Foundation, Mill Mountain Theatre, Mill Mountain Zoo, Opera Roanoke, Roanoke Ballet Theatre, Roanoke Symphony, Salem Museum, Science Museum of Western Virginia, Southwest Virginia Ballet, To the Rescue Museum, Virginia Explore Park, and Virginia Museum of Transportation.

Other Legislation

HB 2003 would designate an organization to administer the existing voluntary contributions to the Spay and Neuter Fund.

HB 2303 would move existing voluntary contribution statutes to § 58.1-344.3 and establish procedures for removing from the tax return those that fail to receive at least \$10,000 annually in each of the three preceding taxable years, limit the number of organizations eligible to receive voluntary contribution from individual income tax returns to twenty-five, and establish the order in which future organizations that become authorized to receive voluntary contributions will be listed on the return as space becomes available. This bill would also require the Department of Taxation to report annually the amounts collected for each organization for the three preceding taxable years.

HB 2506 would create a permanent individual income tax voluntary contribution to the Brown v. Board of Education Scholarship Program Fund.

SB 803 would create a permanent individual income tax voluntary contribution to the Dr. Martin Luther King, Jr. Memorial Commission Fund.

cc : Secretary of Finance

Date: 1/29/2005 TST
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