

**DEPARTMENT OF TAXATION
2005 Fiscal Impact Statement**

1. **Patron** Thomas K. Norment, Jr.

2. **Bill Number** SB 897

3. **Committee** House Finance

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Recognition of Charitable Contributions for
The Relief of Tsunami Victims

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would allow individual and corporate taxpayers who, during January 2005, made charitable contributions for the relief of victims affected by the tsunami on December 26, 2004 to deduct such contributions as if they had been made on December 31, 2004.

This bill would be in force from its passage.

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

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2004-05	(\$0.7 million)	GF
2005-06	\$0.5 million	GF
2006-07	\$0	GF
2007-08	\$0	GF
2008-09	\$0	GF
2009-10	\$0	GF
2010-11	\$0	GF

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

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8. **Fiscal implications:**

The revenue impact is based on early reports of nationwide contributions for tsunami relief and should be considered tentative. However, any negative impact for FY 2005 will be balanced by a corresponding gain in revenue for FY 2006 to the extent that the charitable contributions to the victims of the tsunami represent a redirection of charitable donations on the part of taxpayers.

The Department would incur no administrative costs to implement this bill.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Federal Law

On January 6, Congress enacted legislation that permits accelerated income tax deductions for charitable cash donations made to assist victims of the tsunami that occurred on December 26, 2004. The bill allows taxpayers to claim a tax deduction in taxable year 2004 for donations made until January 31, 2005. The President signed this bill into law on January 7, 2005.

Currently, Virginia conforms to the terms of the Internal Revenue Code as it was written on December 31, 2003. Thus, taxpayers would not be eligible to claim this deduction on their 2004 Virginia income tax returns.

Proposal

This bill would allow charitable contributions made by taxpayers during January 2005 for the relief of victims affected by the December 26, 2004 Indian Ocean tsunami to be deducted on the 2004 Virginia income tax return by allowing all such contributions to be treated as if they were made on December 31, 2004. Since this would conform with federal treatment, individuals would not have to adjust their 2004 and 2005 Virginia individual income tax returns to account for different treatment of charitable contributions on behalf of tsunami relief.

This bill would be in force from its passage.

Other Legislation

House Bill 2411 and **Senate Bill 856** would advance the date of conformity to the Internal Revenue Code from December 31, 2003 to January 7, 2005.

cc : Secretary of Finance

Date: 2/8/2005 AMS
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