

DEPARTMENT OF TAXATION

2008 Fiscal Impact Statement

1. **Patron** Robert B. Bell

2. **Bill Number** HB 1000

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Income Tax: Voluntary Contribution for
Community College Incentive Scholarship
Fund

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would add the Community College Incentive Scholarship Fund to the list of voluntary contributions that may be added to the individual income tax return. Funds received from this voluntary contribution would be administered by the State Board for Community Colleges and would be used to provide monetary assistance to Virginia residents who are enrolled in comprehensive community colleges in Virginia.

Under current law, no more than 25 voluntary contributions may be listed on the individual income tax returns. Following the statutory process enacted in 2005, TAX intends to add the voluntary contribution for the Virginia Caregivers Foundation and the Virginia Military Family Relief Fund to the 2008 individual income tax return. The order in which voluntary contributions would be added to the return as space becomes available is: (1) the Public Library Foundations, (2) Celebrating Special Children, Inc. Fund, (3) Medicare Part D Counseling Fund, and (4) Community College Incentive Scholarship Fund.

The effective date of this bill is not specified.

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

7. **Budget amendment necessary:** No.

8. **Fiscal implications:**

Administrative Costs

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either

house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

Revenue Impact

This bill would have no revenue impact, as all contributions come from individual income tax refunds or additional payments made by individual taxpayers and not from General Fund revenues.

9. Specific agency or political subdivisions affected:

Department of Taxation
State Board for Community Colleges
Community College Incentive Scholarship Program

10. Technical amendment necessary: No.

11. Other comments:

Background

In 2004, the General Assembly limited the number of qualifying organizations to 25, and required that organizations receive at least \$10,000 in voluntary contributions annually for at least 3 consecutive years in order to continue to be included on the individual income tax return.

Pursuant to House Bill 2303, which was passed during the 2005 General Assembly Session, TAX is required to report to the Chairmen of the Senate and House Finance Committees the amounts collected for each voluntary contribution for the three most recent taxable years for which there is complete data. This report is also required to list which entities, if any, will be removed from the Virginia individual income tax return because they have failed to meet the \$10,000 per year requirement. Finally, the report must list which entities, if any, will be added to the income tax return in order to bring the total number of voluntary contributions to 25.

Changes to the 2007 Income Tax Return

One voluntary contribution was removed from the 2007 individual income tax return. This was the contribution for the Commission for the Arts. The removal of this voluntary contribution brought the total number of voluntary contributions down to 24. As a result, one new voluntary contribution was allowed to be added to the list for the 2007 income tax return. Under the provisions of House Bill 2303, the voluntary contribution that was added was for the Martin Luther King, Jr. Living History and Public Policy Center Fund.

Amounts Collected for Each Voluntary Contribution

The chart below provides the amounts collected for each voluntary contribution that will be listed on the 2007 Virginia individual income tax voluntary contributions for the three previous taxable years.

| Amount Collected for Voluntary Contributions - 2004-2006 | | | | | | | |
|--|---|-------------|-----------|-------------|-----------|-------------|-----------|
| Program/Fund | First Return | 2004 Return | | 2005 Return | | 2006 Return | |
| | | Number | Amount | Number | Amount | Number | Amount |
| 1. Virginia Nongame Wildlife Program | 1981 | 5,795 | \$142,694 | 5,757 | \$142,237 | 5,685 | \$143,799 |
| 2. Virginia Open Space Recreation and Conservation Fund | 1988 | 2,530 | \$57,120 | 2,726 | \$63,488 | 2,661 | \$64,209 |
| 3. Combined Political Party Contributions | 1982 | 2,655 | \$53,357 | 2,691 | \$55,298 | 2,626 | \$53,201 |
| 4. United States Olympic Committee | 1988 | 1,209 | \$22,369 | 1,310 | \$25,069 | 1,138 | \$22,164 |
| 5. Virginia Housing Program | 1997 | 1,814 | \$45,002 | 1,901 | \$45,729 | 1,889 | \$45,264 |
| 6. Virginia Family and Children's Trust Fund | 1998 | 1,383 | \$34,665 | 1,434 | \$36,251 | 1,299 | \$36,034 |
| 7. Virginia Elderly and Disabled Transportation Fund | 1997 | 2,833 | \$64,379 | 3,067 | \$71,018 | 3,107 | \$74,548 |
| 8. Community Policing Fund | 1994 | 786 | \$13,587 | 820 | \$16,270 | 810 | \$14,872 |
| 9. Virginia Arts Foundation | 1997 | 1,146 | \$21,267 | 1,176 | \$20,578 | 1,190 | \$24,258 |
| 10. Chesapeake Bay Restoration | 1997 | 5,890 | \$141,344 | 6,034 | \$150,589 | 6,255 | \$164,221 |
| 11. Historic Resources Fund | 1998 | 744 | \$13,360 | 933 | \$16,302 | 945 | \$16,447 |
| 12. Jamestown-Yorktown Foundation | 2000 | 898 | \$18,494 | 1,022 | \$21,977 | 1,082 | \$25,903 |
| 13. State Forests Systems Fund | 1999 | 1,831 | \$34,252 | 2,036 | \$37,533 | 2,100 | \$40,959 |
| 14. Uninsured Medical Catastrophe Fund | 1999 | 1,118 | \$24,879 | 1,108 | \$26,618 | 1,138 | \$30,456 |
| 15. Children of America Finding Hope | 2001 | 1,031 | \$22,684 | 964 | \$23,804 | 974 | \$23,456 |
| 16. Public School Foundations | 2002 | 1,319 | \$35,276 | 1,443 | \$41,736 | 1,451 | \$45,310 |
| 17. Home Energy Assistance | 2003 | 926 | \$18,509 | 1,297 | \$30,108 | 1,303 | \$30,477 |
| 18. War Memorial & National D-Day Memorial | 2003 | 745 | \$14,078 | 759 | \$14,828 | 715 | \$14,930 |
| 19. Virginia Federation of Humane Societies | 2004 | 850 | \$16,027 | 1,077 | \$23,720 | 1,199 | \$26,647 |
| 20. Tuition Assistance Grant Fund | 2004 | 598 | \$11,350 | 685 | \$13,090 | 715 | \$18,936 |
| 21. Spay and Neuter Fund | 2004 | 1,648 | \$36,247 | 1,752 | \$37,191 | 1,736 | \$38,329 |
| 22. Office of Commonwealth Preparedness | 2005 | | | 228 | \$3,100 | 236 | \$2,828 |
| 23. Cancer Centers | 2006 | | | | | 1,101 | \$29,671 |
| 24. Brown v. Board of Education Scholarship Program Fund | 2006 | | | | | 274 | \$6,914 |
| 25. Martin Luther King, Jr. Living History and Public Policy Center Fund | Was added to the 2007 income tax return | | | | | | |
| Total | | 37,749 | \$840,940 | 40,220 | \$916,534 | 41,629 | \$993,833 |

Contributions Awaiting Action

Under current law, the voluntary contributions for the following programs or funds are waiting for space to open up on the return:

| <u>Program/Fund</u> | <u>Enacted</u> | <u>Estimated Year Added To Return</u> |
|---|----------------|---|
| Public Library Foundations | 2007 | 2009 |
| Celebrating Special Children, Inc. Fund | 2007 | Unknown |
| Medicare Part D Counseling Fund | 2007 | Unknown |

Changes to the 2008 Income Tax Return

If the General Assembly takes no action, the voluntary contribution for the Office of Commonwealth Preparedness will be removed from the list on the 2008 individual income tax return. The Office of Commonwealth Preparedness failed to receive \$10,000 in its first two years on the return, which were 2005 and 2006. Under the requirements of *Va. Code* § 58.1-344.3 A.1, an entity must receive at least \$10,000 in each of the three preceding years. In 2007, the Office of Commonwealth Preparedness will have appeared on the return for three taxable years, as required by *Va. Code* § 58.1-344.3 A.3.b, but it will be impossible for it to satisfy the requirements in subdivision A.1. Therefore, the Office of Commonwealth Preparedness will be removed from the list after the 2007 return.

The voluntary contribution for the Jamestown-Yorktown Foundation will also be removed from the individual income tax return for 2008. While this organization has not failed to receive \$10,000 per year in contributions, it is only authorized for taxable years beginning before January 1, 2008 under *Va. Code* § 58.1-344.3 C.3. Thus, it may only remain on the return through 2007.

The removal of the Office of Commonwealth Preparedness and Jamestown-Yorktown Foundation from the 2008 return will allow the voluntary contributions for the Virginia Caregivers Grant Fund and the Virginia Military Family Relief Fund to be added. If these voluntary contributions are added, the voluntary contributions for the Public Library Foundations, the Celebrating Special Children, Inc. Fund, and the Medicare Part D Counseling Fund will remain on the waiting list.

Proposal

This bill would add the Community College Incentive Scholarship Fund to the list of voluntary contributions that may be added to the individual income tax return. Funds received from this voluntary contribution would be administered by the State Board for Community Colleges and would be used to provide monetary assistance to Virginia residents who are enrolled in comprehensive community colleges in Virginia.

The voluntary contributions listed under *Va. Code* § 58.1-433.3 are divided between subsection B, which only allows taxpayers to make donations from their income tax refunds, and subsection C, which allows taxpayers to contribute their income tax refund or to make an additional payment. Because the Community College Incentive Scholarship Fund would be added to subsection B, it would be restricted to receiving voluntary contributions only from income tax refunds.

The effective date of this bill is not specified.

Similar Legislation

Senate Bill 240 would clarify the voluntary contribution for the Martin Luther King, Jr. Living History and Public Policy Center.

Senate Bill 561 would add Community Foundations to the list of organizations that may be added to the individual income tax return.

cc : Secretary of Finance

Date: 1/13/2008 TG
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