

DEPARTMENT OF TAXATION

2008 Fiscal Impact Statement

1. **Patron** Robert D. Hull

2. **Bill Number** HB 1267

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Individual Income Tax; Credit for
Veterinarian Pro Bono Services and Animal
Adoption

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would provide an individual income tax credit to veterinarians who perform spaying, neutering, euthanasia or other routine or emergency services or procedures at no cost on animals that have been held in a pound or nonprofit shelter. The amount of the credit would be \$50 for each such procedure, not to exceed a total of \$2,500 or the tax liability of the taxpayer, whichever is less. The credit could not be claimed if the taxpayer had also claimed a federal deduction for such services or procedures.

This bill would also provide an income tax credit to individuals who pay an adoption fee to adopt a companion animal from a pound or nonprofit shelter. The amount of the credit would be equal to the fee paid by the taxpayer, up to a maximum of \$100. In order to claim the credit, the taxpayer would have to have an income tax liability greater than the total credit amount. In addition, the taxpayer would not be allowed to claim more than two of these credits in any tax year.

This bill would be effective for taxable years beginning on and after January 1, 2007.

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

6b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2007-08	\$0	GF
2008-09	(\$7.6 million)	GF
2009-10	(\$7.6 million)	GF
2010-11	(\$7.6 million)	GF
2011-12	(\$7.6 million)	GF
2012-13	(\$7.6 million)	GF
2013-14	(\$7.6 million)	GF

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

Page 1, Revenue Estimates

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.

This estimate of administrative costs assumes an effective date of January 1, 2008.

Revenue Impact

The tax credits proposed by this bill would have a total negative revenue impact of \$7.6 million a year beginning in FY 2009.

Using data provided by the Humane Society of the United States, it is assumed that there are approximately 89,000 adoptions annually in Virginia. Because the average adoption fee is \$83 in Virginia, the negative revenue impact of the proposed animal adoption tax credit would be \$7.4 million per year.

The revenue impact of the pro bono veterinary services credit is based on an assumption of 3,700 qualifying spay and neuter operations and 900 qualifying euthanasia operations, which would create a negative revenue impact of approximately \$227,000 per year. This assumption is supported by data from the American Veterinary Medical Association and the Humane Society of the United States.

This revenue estimate assumes an effective date of January 1, 2008.

To implement this credit, a reduction of an equal amount of general fund support from other areas in the introduced budget would be required. Given the magnitude of funding involved, funding would need to be transferred from areas with significant general fund support.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: Yes.

An effective date of January 1, 2007 would create a large administrative burden for TAX and taxpayers because it would require many people to file amended returns. In order to avoid this problem, the following technical amendments are suggested:

Page 1, Line 15, after January 1,
Strike: 2007
Insert: 2008

Page 1, Line 29, after January 1,
Strike: 2007
Insert: 2008

11. Other comments:

Voluntary Contributions

Currently, there is a voluntary contribution to benefit the Spay and Neuter Fund. The Fund is to be used by localities in the Commonwealth for providing low-cost spay and neuter surgeries through direct provision or contract or each locality may make the funds available to any private, nonprofit sterilization program for dogs and cats in such locality.

A voluntary contribution is also available for the Virginia Federation of Humane Societies. The money received from this contribution is to be used by the Virginia Federation of Humane Societies to assist in its mission of saving, caring for, and finding homes for homeless animals.

Proposal

This bill would provide an individual income tax credit to veterinarians who perform spaying, neutering, euthanasia or other routine or emergency services or procedures at no cost on animals that have been held in a pound or nonprofit shelter. The amount of the credit would be \$50 for each such procedure, not to exceed a total of \$2,500 or the tax liability of the taxpayer, whichever is less. The credit could not be claimed if the taxpayer had also claimed a federal deduction for such services or procedures.

In order to claim this credit, the veterinarian would be required to submit proof of the number of applicable procedures he had performed during the taxable year. The form of this proof would be based on guidelines established by the Tax Commissioner regarding the information to include and the format for proof of payment that are explained in the income tax return instructions. These guidelines would be exempt from the Administrative Process Act.

This bill would also provide an income tax credit to individuals who pay an adoption fee to adopt a companion animal from a pound or nonprofit shelter. The amount of the credit would be equal to the fee paid by the taxpayer, up to a maximum of \$100. In order to claim the credit, the taxpayer would have to have an income tax liability greater than the

total credit amount. In addition, the taxpayer would not be allowed to claim more than two of these credits in any tax year.

A “companion animal” is a domestic or feral dog, domestic or feral cat, nonhuman primate, guinea pig, hamster, rabbit not raised for human food or fiber, exotic or native animal, reptile, exotic or native bird, or any feral animal or any animal under the care, custody, or ownership of a person or any animal that is bought, sold, traded, or bartered by any person. Agricultural animals, game species, or any animals regulated under federal law as research animals are not considered to be companion animals.

A “pound” is a facility operated by the Commonwealth, or any locality, for the purpose of impounding or harboring seized, stray, homeless, abandoned, or unwanted animals; or a facility operated for the same purpose under a contract with any county, city, town, or incorporated society for the prevention of cruelty to animals.

Similar Legislation

House Bill 1080 is similar to this bill, but it would not specify the types of medical procedures that would qualify for the veterinarian credit, and it would not limit the veterinarian credit or the animal adoption credit.

House Bill 1365 would also provide an income tax credit to individuals who pay an adoption fee to adopt a companion animal from a pound or nonprofit shelter.

cc : Secretary of Finance

Date: 1/18/2008 AMS
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