

# DEPARTMENT OF TAXATION

## 2008 Fiscal Impact Statement

1. **Patron** Benjamin L. Cline

3. **Committee** House Finance

4. **Title** Individual Income Tax; Credit for Animal Adoption

2. **Bill Number** HB 1365

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would provide an income tax credit to individuals who pay an adoption fee to adopt a companion animal from a pound or nonprofit shelter. The credit would be equal to the adoption fee or \$100, whichever is less, provided that the taxpayer has a tax liability exceeding the total credit amount. The taxpayer would only be allowed to claim one credit per year; and the credit would be required to be taken for the taxable year in which the animal was adopted.

This bill would be effective for taxable years beginning on and after January 1, 2008.

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

#### 6b. **Revenue Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2007-08	\$0	GF
2008-09	(\$7.4 million)	GF
2009-10	(\$7.4 million)	GF
2010-11	(\$7.4 million)	GF
2011-12	(\$7.4 million)	GF
2012-13	(\$7.4 million)	GF
2013-14	(\$7.4 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.

### Revenue Impact

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

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: No.**

### **11. Other comments:**

This bill would provide an income tax credit to individuals who pay an adoption fee to adopt a companion animal from a pound or nonprofit shelter. The credit would be equal to the adoption fee, provided that the taxpayer has a tax liability exceeding the total credit amount. The taxpayer would only be allowed to claim 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** would grant an income tax credit to veterinarians who perform medical procedures at no cost on animals that have been held in a public pound or nonprofit shelter. In addition, it would provide an income tax credit to individuals who pay adoption fees and charges to adopt an animal from a public pound or nonprofit shelter.

**House Bill 1267** would grant an income tax credit to veterinarians who perform certain procedures on animals that have been held in a pound or nonprofit shelter. In addition, it would 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: 1/17/2008 AMS  
HB1365F161