

DEPARTMENT OF TAXATION

2008 Fiscal Impact Statement

1. **Patron** Harvey B. Morgan

3. **Committee** House Finance

4. **Title** Income Tax: Use of Allocated Tax Credits
Under the Neighborhood Assistance Act

2. **Bill Number** HB 316

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would allow a neighborhood organization to make the remaining balance of its FY 2007 allocation of Neighborhood Assistance Act ("NAA") tax credits available to donors if the organization missed the deadline for submitting a proposal to the Department of Social Services ("DSS") for an allocation of NAA tax credits for FY 2008. The neighborhood organization would be allowed to make the NAA tax credits available for donations made between July 1, 2007, and December 31, 2007, towards a program it offers that otherwise would have been eligible for an allocation of NAA tax credits had the organization's proposal been submitted by the due date.

This is a Section 1 bill, and TAX has been informed that it was submitted on behalf of one organization.

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

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

8. **Fiscal implications:**

Department of Taxation 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.

Department of Social Services Administrative Costs

DSS has informed TAX that this bill would require their NAA computer system to be modified by adding an override capability in order to issue tax credit certificates for FY 2008 using tax credits from FY 2007. Based on an estimate from the Division of Information Systems at DSS, it would require approximately \$2,100 to provide the necessary changes to the NAA system.

Revenue Impact

This bill would have a minimal impact on General Fund revenues. The neighborhood organization that would benefit from this bill would be allowed to use last year's allocation balance of approximately \$15,000 for the current program year. However, the donors to whom these credits are allocated may carry the credits forward for the next five succeeding tax years or until the full credit has been utilized. Therefore, the \$15,000 impact may be spread over Fiscal Years 2008-2014.

9. Specific agency or political subdivisions affected:

Department of Social Services
Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Current Law

The Virginia Neighborhood Assistance Act provides an income tax credit to businesses and individuals that donate to neighborhood organizations for approved programs that benefit impoverished people. The Department of Social Services ("DSS") is responsible for approving the programs and allocating the tax credits to the neighborhood organizations.

Currently, to become eligible for an allocation of tax credits under the Neighborhood Assistance Act Program, neighborhood organizations are required to file an application with DSS by May 1st of each year.

Proposal

This bill would allow a neighborhood organization to make the remaining balance of its FY 2007 allocation of NAA tax credits available to donors if the organization missed the deadline for submitting a proposal to DSS for an allocation of NAA tax credits for FY 2008.

The neighborhood organization would be allowed to make the NAA tax credits available for donations made between July 1, 2007, and December 31, 2007, towards a program it offers that otherwise would have been eligible for an allocation of NAA tax credits had the organization's proposal been submitted by the due date.

This is a Section 1 bill, and TAX has been informed that it was submitted on behalf of one organization.

Similar Legislation

House Bill 680 would move the Neighborhood Assistance Act Tax Credit program from Title 63.2 [Welfare (Social Services)] to Title 58.1 (Taxation) and provide a cross-reference to the tax credit program in Title 63.2 (§ 63.2-2002). This bill would also provide that the value of a motor vehicle donated by a business firm would be the value as determined for federal income tax purposes.

cc : Secretary of Finance

Date: 1/13/2008 TG
HB316F161