

DEPARTMENT OF TAXATION 2009 Fiscal Impact Statement

1. **Patron** Robert D. Hull

3. **Committee** House Finance

4. **Title** Neighborhood Assistance Act Tax Credits;
Veterinarians

2. **Bill Number** HB 1790

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would expand the professional services eligible for tax credits under the Neighborhood Assistance Act to include services provided by veterinarians.

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

Under the provisions of the budget for the 2008-2010 biennium, the Neighborhood Assistance Act Tax Credit is capped at \$12 million. According to the Department of Social Services, this amount has consistently been allocated in its entirety. As this bill would not affect the current cap, this bill would have no revenue impact.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Social Services

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. Under this Act, a neighborhood organization is allocated funding through the Neighborhood Assistance Act Program. The Department of Social Services ("DSS") is responsible for approving the programs and allocating the tax credits to the neighborhood organizations. When an individual or business donates to an organization that qualifies as a neighborhood organization, they are eligible to receive an income tax credit from that neighborhood organization.

In addition to money and property, taxpayers may donate professional services in order to qualify for this credit. "Professional services" is currently defined to include personal services rendered by medical doctors, dentists, architects, professional engineers, certified public accountants and attorneys-at-law.

A business contributing to an approved Neighborhood Assistance Program organization is eligible for an income tax credit equal to 40 percent of the contribution. Tax credits are available if the contribution value is at least \$1,000 or no more than \$437,500. The minimum tax credit that may be issued to a business contribution is \$400. A contributing business may take a maximum of \$175,000 Neighborhood Assistance Program credits in a taxable year.

An individual who contributes directly to an approved Neighborhood Assistance Program organization is also eligible for an income tax credit equal to 40 percent of the contribution. The minimum donation by an individual must be at least \$500, and the maximum tax credit is \$50,000.

Some portions of the Neighborhood Assistance Act were modified in the budget for the 2006-2008 biennium. Effective July 1, 2007 the following changes were made: (i) increasing the annual cap for tax credits allowed under the program from \$8 million to \$12 million, and (ii) allocating \$1 million of the cap increase for education programs and \$3 million for providing grants to private schools for students with disabilities. These provisions were also included in the budget for the 2008-2010 biennium.

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. Under the current law, however, no tax credits shall be authorized after FY 2009.

Proposal

This bill would expand the professional services eligible for tax credits under the Neighborhood Assistance Act to include services provided by veterinarians. Accordingly, this bill would broaden the primary objective of the Neighborhood Assistance Act, which is to provide benefits to impoverished people, to providing tax incentives for those offering assistance to pets and other animals.

The effective date of this bill is not specified.

Other Legislation

House Bill 1597 would amend the definition of “neighborhood organizations” to include any health care program of a county, city, or town serving impoverished people.

Senate Bill 904 would extend the sunset date for the authorization of tax credits allowed under the Neighborhood Assistance Act from 2009 to 2011.

cc : Secretary of Finance

Date: 1/16/2009 TLG
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