

DEPARTMENT OF TAXATION

2011 Fiscal Impact Statement

1. **Patron** Richard L. Anderson

3. **Committee** Senate Finance

4. **Title** Income Tax: Neighborhood Assistance Act
Tax Credit; Trusts

2. **Bill Number** HB 2231

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

Second House:

☒ In Committee

☐ Substitute

☐ Enrolled

5. **Summary/Purpose:**

This bill would expand the types of business firms eligible for tax credits under the Neighborhood Assistance Act to include trusts.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.

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

8. **Fiscal implications:**

Department of Taxation Administrative Impact

TAX considers implementation of this bill as routine, and does not require additional funding.

Department of Social Services Administrative Impact

The Department of Social Services reports that its administration of the Neighborhood Assistance Tax Credit program would not be directly affected by this change.

Revenue Impact

Under current law, the Neighborhood Assistance Act Tax Credit is capped at \$11.9 million, and may not be authorized after Fiscal Year 2011. Assuming that this credit is extended, because this bill would not affect the current cap, this bill would have no revenue impact. Because this bill would expand the number of health care professionals that would be eligible for the credit, however, it would further divide the pool of available credits.

9. Specific agency or political subdivisions affected:

Department of Taxation
The Superintendent of Public Instruction

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.

Under current law, a "business firm" includes any corporation, partnership, electing small business, S-corporation, limited liability company, or sole proprietorship.

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.

Proposal

This bill would expand the types of business firms eligible for tax credits under the Neighborhood Assistance Act to include trusts.

Under this bill, a trust that makes a contribution to an organization that qualifies as a neighborhood organization would be eligible to receive an income tax credit from that neighborhood organization.

The effective date of this bill is not specified.

Similar Legislation

Senate Bill 742 would expand the health care services eligible for tax credits to include pharmacists donating pharmaceutical services, at the direction of an approved organization, to patients of a nonprofit free clinic.

Senate Bill 863 would change the definition of "impoverished people" for any type of proposal under the Neighborhood Assistance Act Tax Credit program to include individuals with family annual income not in excess of 200 percent of the current federal poverty guidelines.

Senate Bill 1129 would extend the sunset date for the issuance of tax credits allowed under the Neighborhood Assistance Act from 2011 to 2016.

cc : Secretary of Finance

Date: 2/11/2011 TG
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