

DEPARTMENT OF TAXATION

2011 Fiscal Impact Statement

1. **Patron** Janet D. Howell

3. **Committee** Senate Finance

4. **Title** Neighborhood Assistance Act Tax Credits;
Certain Pharmacists

2. **Bill Number** SB 742

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would expand the health care services eligible for tax credits under the Neighborhood Assistance Act to include pharmacists donating pharmaceutical services to patients of a nonprofit free clinic when the services are performed at the direction of an approved neighborhood organization, regardless of where the services are delivered.

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:**

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
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, attorneys-at-law, and veterinarians.

Health care services provided by licensed physicians, chiropractors, dentists, nurses, nurse practitioners, physician assistants, optometrists, dental hygienists, professional counselors, clinical social workers, clinical psychologists, marriage and family therapists, physical therapists, and pharmacists may also be eligible for the tax credit. These services are eligible when they are provided to patients of certain health care clinics, regardless of where the services are delivered. The health care clinic must be operated by an organization that has received an allocation of credits from DSS in order for these services to qualify.

The total amount of credits that may be granted for each fiscal year is \$11.9 million. Out of this amount \$4.9 million is allocated to education proposals, while the remaining \$7 million is allocated to all other proposals. No credits may be authorized after Fiscal Year 2011.

Proposal

This bill would expand the health care services eligible for tax credits under the Neighborhood Assistance Act to include pharmacists donating pharmaceutical services to patients of a nonprofit free clinic when the services are performed at the direction of an approved neighborhood organization, regardless of where the services are delivered. Therefore, credits would be allowed when services are performed at both health care clinics operated by an organization that has received an allocation of credits, as well as at free clinics at the direction of the approved neighborhood organization.

The effective date of this bill is not specified.

Similar Legislation

House Bill 1846 would expand the professional services eligible for tax credits under the Neighborhood Assistance Act to include services provided by mediators certified by the Judicial Council of Virginia.

House Bill 2231 would permit trusts to be eligible for the Neighborhood Assistance Act income tax credit.

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: 1/17/2011 TG
SB742F161