

DEPARTMENT OF TAXATION

2011 Fiscal Impact Statement

1. **Patron** Frank W. Wagner

2. **Bill Number** SB 863

3. **Committee** House Finance

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

4. **Title** Income Tax: Neighborhood Assistance Act
Tax Credit; Definition of Impoverished
People

Second House:

☒ In Committee

☐ Substitute

☐ Enrolled

5. **Summary/Purpose:**

This bill would change the definition of "impoverished people" for all purposes 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.

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

This bill would have no revenue impact because this credit is capped at \$11.9 million, with \$4.9 million being allocated to education proposals and \$7 million to all other proposals. The number of programs eligible to qualify for this credit would be increased, however.

9. **Specific agency or political subdivisions affected:**

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. Under this Act, a neighborhood organization is allocated funding through the Neighborhood Assistance Act Program. The Department of Social Services ("DSS") and the Department of Education ("DOE") are 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.

A business contributing to an approved Neighborhood Assistance Act Program organization is eligible for an income tax credit equal to 40 percent of the contribution. The 2010-2012 Appropriation Act allows businesses to claim a credit equal to 45 percent of the qualifying donations, however. 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 Act Program credits in a taxable year.

An individual who contributes directly to an approved Neighborhood Assistance Act 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.

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.

In 2010, the General Assembly (2010 Acts of Assembly, Chapter 164, Senate Bill 633), amended the definition of "impoverished people" to mean individuals with family annual income not in excess of 200 percent of the current poverty guidelines for education proposals submitted to the Superintendent of Public Instruction requesting an allocation of tax credits. For other than education proposals, impoverished people continued to mean individuals with family annual income not in excess of 150 percent of the current poverty guidelines.

Proposal

This bill 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.

The effective date of this bill is not specified.

Other Legislation

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

Senate Bill 742 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.

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

cc : Secretary of Finance

Date: 2/10/2011 TG
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