

DEPARTMENT OF TAXATION

2012 Fiscal Impact Statement

1. **Patron** Frank W. Wagner

2. **Bill Number** SB 680

3. **Committee** Senate Finance

House of Origin:

 X **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 expand the definition of "impoverished people" for all purposes under the Neighborhood Assistance Act Tax Credit program to include any resident of a nursing home or assisted living facility who is a Medicaid recipient. This bill would also decrease the minimum percentage of impoverished persons that a neighborhood organization serves from 50 to 40 percent in order to qualify for the tax credit program.

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

The Department 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 have a minimal fiscal impact on its operations.

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.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Social Services
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") 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.

Under current law, in order to be eligible for participation in the Neighborhood Assistance Program and receive an allocation of tax credits, an applicant must meet the following criteria: (i) have been in operation as a viable entity, providing neighborhood assistance for impoverished people, for at least 12 months; (ii) must be able to demonstrate that at least 50 percent of the total people served and at least 50 percent of the total expenditures were for impoverished people; (iii) must not contain any significant findings or areas of concern for the ongoing operation of the neighborhood organization following an audit; and (iv) must demonstrate that at least 75 percent of total revenue received is expended to support the applicant's ongoing programs each year.

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 expand the definition of "impoverished people" for all purposes under the Neighborhood Assistance Act Tax Credit program to include any resident of a nursing home or assisted living facility who is a Medicaid recipient. This bill would also decrease the minimum percentage of impoverished persons that a neighborhood organization serves from 50 to 40 percent in order to qualify for the tax credit program.

The effective date of this bill is not specified.

Other Legislation

House Bill 368 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.

Senate Bill 241 would eliminate the sunset date, increase the credit percentage to 64%, expand student eligibility criteria, and establish an educational scholarship fund.

cc : Secretary of Finance

Date: 2/2/2012 tlg
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