

DEPARTMENT OF TAXATION

2014 Fiscal Impact Statement

1. **Patron** Timothy D. Hugo

3. **Committee** Senate Finance

4. **Title** Neighborhood Assistance Act Tax Credit;
Proposal Filing Deadline

2. **Bill Number** HB 1179

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would prohibit a proposal for an allocation of Neighborhood Assistance Act Tax Credits from being deemed untimely filed solely because the neighborhood organization's required audit, review, or compilation was not submitted by the proposal filing deadline. A neighborhood organization's proposal would be considered timely filed as long as its required audit, review, or compilation is submitted within the 30-day period immediately following the proposal filing deadline.

This bill contains an emergency clause that states that it would be in force from its passage.

6. Budget amendment necessary: No.

7. No Fiscal Impact (See Line 8.)

8. Fiscal implications:

Administrative Cost

The Department of Taxation ("the Department"), the Department of Education, and the Department of Social Services consider implementation of this bill as routine, and do not require additional funding.

Revenue Impact

This bill would have no impact on General Fund revenues because it would change the timing of filing requirements that apply to neighborhood organizations, but would not change the annual tax credit cap.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Education

10. Technical amendment necessary: No.

11. Other comments:

Current Law

The Virginia Neighborhood Assistance Act provides an income tax credit to business firms 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 and the Department of Education are responsible for approving programs proposed by neighborhood organizations and allocating Neighborhood Assistance Act Tax Credits to neighborhood organizations with approved programs. An individual or business firm that makes a donation to a neighborhood organization for an approved program is then eligible to receive an income tax credit from that neighborhood organization.

For a neighborhood organization with total revenues in excess of \$100,000 to be eligible to receive credit allocations, it must provide to the Department of Social Services or the Department of Education, as applicable, an audit or review for such year performed by an independent certified public accountant. Likewise, a neighborhood organization with total revenues of \$100,000 or less must provide the Department of Social Services or the Department of Education, as applicable, a compilation for such year performed by an independent certified public accountant. Under existing procedures established by the Department of Social Services and the Department of Education, a neighborhood organization is required to submit its proposal, including its required audit, review, or compilation, no later than May 1 at 5:00 P.M.

The Neighborhood Assistance Act Tax Credit is equal to 65 percent of the value of the money, property, professional services, and contracting services donated by a business firm, or 65 percent of the value of a monetary donation or donation of marketable securities made by an individual. The minimum credit that may be issued to a business firm is \$400. For individuals, the minimum donation must be at least \$500, and the maximum donation that is eligible for the credit is \$125,000. Any unused credits may be carried over for the next five succeeding taxable years or until the total amount of credit has been taken, whichever is sooner.

The total amount of credits that may be granted for each fiscal year is \$15 million. Out of this amount, \$8 million may be allocated for education proposals, while the remaining \$7 million may be allocated for all other proposals.

Proposed Legislation

This bill would prohibit a proposal for an allocation of Neighborhood Assistance Act Tax Credits from being deemed untimely filed solely because the neighborhood organization's required audit, review, or compilation was not submitted by the proposal filing deadline. A neighborhood organization's proposal would be considered timely filed as long as its

required audit, review, or compilation is submitted within the 30-day period immediately following the proposal filing deadline.

This bill contains an emergency clause that states that it would be in force from its passage.

Similar Bills

Senate Bill 591 is identical to this bill.

House Bill 737 would increase the percentage of persons served by a neighborhood organization that must be low-income persons from 40 percent to 50 percent.

Senate Bill 563 would increase the overall cap for Neighborhood Assistance Act Tax Credits. This bill would also allow certain neighborhood organizations to exclude the activities of affiliate organizations when determining whether an education proposal qualifies for credits.

cc : Secretary of Finance

Date: 2/7/2014 MTH
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