

DEPARTMENT OF TAXATION

2014 Fiscal Impact Statement

1. **Patron** John M. O'Bannon, III

3. **Committee** Senate Finance

4. **Title** Neighborhood Assistance Act Tax Credit

2. **Bill Number** HB 737

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would increase the percentage of persons served by a neighborhood organization that must be low-income persons from 40 percent to 50 percent. This change would apply to neighborhood organizations that submit proposals other than education proposals, and such requirement would be consistent with the existing requirement for neighborhood organizations that submit education proposals.

The effective date of this bill is not specified.

6. Budget amendment necessary: No.

7. No Fiscal Impact (See Line 8.)

8. Fiscal implications:

Administrative Cost

The Department of Taxation ("the Department") 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 requirements that apply to neighborhood organizations, but would not change the annual credit cap.

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 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.

A neighborhood organization is any local, regional or statewide organization whose primary function is providing community services, education, housing assistance, or job training to impoverished people and that is a nonprofit entity that is exempt from taxation under federal law; any organization defined as a community action agency in the Economic Opportunity Act of 1964; or any housing authority as defined under Virginia law. For a neighborhood organization that submits an education proposal to qualify for an allocation of the credit, at least 50 percent of the persons served by the neighborhood organization must be low-income persons with an annual family household income not in excess of 300 percent of the current poverty guidelines or eligible students with disabilities, and at least 50 percent of the neighborhood organization's revenues must be used to provide services to low-income persons or to eligible students with disabilities. For a neighborhood organization that submits a non-education proposal to qualify for an allocation of the credit, at least 40 percent of the persons served by the neighborhood organization must be low-income persons with an annual family income not in excess of 300 percent of the current poverty guidelines.

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 increase the percentage of persons served by a neighborhood organization that must be low-income persons from 40 percent to 50 percent. This change would apply to neighborhood organizations that submit proposals other than education

proposals, and such requirement would be consistent with the existing requirement for neighborhood organizations that submit education proposals.

The effective date of this bill is not specified.

Similar Bills

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.

House Bill 1179 and **Senate Bill 591** would create a 30-day grace period for neighborhood organizations to submit an audit, review, or compilation in order to receive an allocation of Neighborhood Assistance Act Tax Credits.

cc : Secretary of Finance

Date: 2/7/2014 MTH
HB737F161