

# DEPARTMENT OF TAXATION

## 2014 Fiscal Impact Statement

1. **Patron** Walter A. Stosch

3. **Committee** Senate Finance

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

2. **Bill Number** SB 563

**House of Origin:**

  X   **Introduced**

      **Substitute**

      **Engrossed**

**Second House:**

      **In Committee**

      **Substitute**

      **Enrolled**

### 5. **Summary/Purpose:**

This bill would increase the maximum amount of credits that may be granted in a fiscal year to a neighborhood organization or to a grouping of neighborhood organization affiliates for all education proposals from \$825,000 to \$925,000.

This bill would increase the \$8 million annual credit cap for education proposals to \$8.5 million for Fiscal Year 2015, and to \$9 million for Fiscal Year 2016. This bill would also increase the \$7 million annual credit cap for all other proposals to \$7.5 million for Fiscal Year 2015, and to \$8 million for Fiscal Year 2016 and each fiscal year thereafter.

This bill would be effective for the fiscal year beginning on July 1, 2014.

6. **Budget amendment necessary:** No.

7. **Fiscal Impact Estimates are:** Preliminary. (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 increase the \$15 million aggregate credit cap to \$16 million for Fiscal Year 2015, and to \$17 million for Fiscal Year 2016 and each fiscal year thereafter. The increased aggregate credit cap for Fiscal Years 2015 and 2016 is assumed in Item § 3-5.04 of the 2014-2016 Introduced Executive Budget. As a result, this bill would not require a budget amendment if it is enacted.

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

Department of Taxation  
Department of Education  
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.

The maximum amount of credits that may be granted in a fiscal year to a neighborhood organization or to a grouping of neighborhood organization affiliates for all education proposals is \$825,000. The maximum amount of credits that may be granted in a fiscal year to a neighborhood organization or to a grouping of neighborhood organization affiliates for all other proposals is \$500,000.

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 maximum amount of credits that may be granted in a fiscal year to a neighborhood organization or to a grouping of neighborhood organization affiliates for all education proposals from \$825,000 to \$925,000.

This bill would increase the \$8 million annual credit cap for education proposals to \$8.5 million for Fiscal Year 2015, and to \$9 million for Fiscal Year 2016. This bill would also increase the \$7 million annual credit cap for all other proposals to \$7.5 million for Fiscal Year 2015, and to \$8 million for Fiscal Year 2016 and each fiscal year thereafter.

This bill would be effective for the fiscal year beginning on July 1, 2014.

#### Similar Bills

**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.

**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: 1/27/2014 MTH  
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