

# DEPARTMENT OF TAXATION

## 2015 Fiscal Impact Statement

1. **Patron** David J. Toscano

2. **Bill Number** HB 1939

3. **Committee** Referral Pending

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Neighborhood Assistance Act Tax Credits;  
Reduces Credit Amount

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

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

This bill would reduce the amount of the Neighborhood Assistance Act Tax Credit from 65 percent of the value of a qualified donation made by a business firm or by any individual to 60 percent of the value of such donation.

This bill would make a technical change to the minimum tax credit that may be granted, so that no credit may be granted for a donation with a value of less than \$625.

This bill would increase the maximum value of a monetary donation or a marketable securities donation by an individual that may be accounted for when determining the amount of credits from \$125,000 to \$135,500. This would increase the maximum credit from \$81,250 to \$81,300.

This bill would be effective for taxable years beginning on or after January 1, 2016.

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

7. **No Fiscal Impact** (See Line 8.)

### 8. **Fiscal implications:**

#### Administrative Costs

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

#### Revenue Impact

This bill would reduce the credit amount for each donation and would make adjustments to the minimum and maximum credit thresholds, but would not alter the credit cap. Because this bill would simply result in a reallocation of credit amounts without affecting the overall amount of credit issued, it would have no impact on General Fund revenues.

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

Department of Social Services  
Department of Education  
Department of Taxation

**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 business firm or individual 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 amount of the credit for a business firm or individual who donates professional services is equal to 65 percent of the value of the money, property, professional services, or contracting services donated by such taxpayer to a neighborhood organization for an approved program. No credit less than \$400 may be granted to a business firm or individual who provides professional services for any donation. Therefore, a business firm or individual who provides professional services must make a donation with a value of at least \$616 to meet the minimum credit threshold, and receive an allocation of credits.

The amount of the credit for an individual who makes a monetary donation or marketable securities donation to a neighborhood organization for an approved program is equal to 65 percent of the value of such donation. To receive an allocation of credits, an individual is required to make a donation of at least \$500. For purposes of determining the amount of credits allocated to an individual, the value of the individual's donation is limited to the lesser of the actual value of the donation or \$125,000. The \$125,000 cap on the value of donations caps the credit at \$81,250 per taxpayer.

Proposed Legislation

This bill would reduce the amount of the Neighborhood Assistance Act Tax Credit from 65 percent of the value of a qualified donation made by a business firm or by any individual to 60 percent of the value of such donation.

This bill would make a technical change to the minimum tax credit that may be granted, so that no credit may be granted for a donation with a value of less than \$625. Under current law, the minimum tax credit that may be granted is \$400. By imposing a minimum donation threshold of \$625 and reducing the credit percentage to 60 percent, this bill would reduce the existing minimum tax credit threshold from \$400 to \$375.

This bill would increase the maximum value of a monetary donation or a marketable securities donation by an individual that may be accounted for when determining the amount of credits from \$125,000 to \$135,500. This would increase the maximum credit from \$81,250 to \$81,300.

This bill would be effective for taxable years beginning on or after January 1, 2016.

#### Similar Bills

**House Bill 1459** would allow a physician specialist or other health care professional specialist who donates specialty medical services to patients referred from certain approved neighborhood organizations to be eligible to receive an allocation of Neighborhood Assistance Act Tax Credits regardless of where the specialty medical services are delivered.

**House Bill 1701** would allow a business firm or individual that is eligible for the Neighborhood Assistance Act Tax Credit to agree to a credit equal to less than 65 percent of the qualified donation.

**House Bill 2124** would reduce the amount of the Neighborhood Assistance Act Tax Credit from 65 percent of the value of a qualified donation to 60 percent for donations made during Calendar Year 2016, to 55 percent for donations made during Calendar Year 2017, and to 50 percent for donations made during Calendar Year 2018.

cc : Secretary of Finance

Date: 1/20/2015 MTH  
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