

# DEPARTMENT OF TAXATION

## 2015 Fiscal Impact Statement

1. **Patron** J. Chapman Petersen

3. **Committee** House Finance

4. **Title** Tax Credit for Contributions to Political Candidates.

2. **Bill Number** SB 1399

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

**Second House:**

  X   **In Committee**

           **Substitute**

           **Enrolled**

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

This bill would repeal the individual income tax credit for contributions made to political candidates.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** Yes.

7. **Fiscal Impact Estimates are:** Available. (See Line 8)

### 8. **7a. Revenue Impact:**

| <i><b>Fiscal Year</b></i> | <i><b>Dollars</b></i> | <i><b>Fund</b></i> |
|---------------------------|-----------------------|--------------------|
| 2014-15                   | \$0                   | GF                 |
| 2015-16                   | \$680,000             | GF                 |
| 2016-17                   | \$680,000             | GF                 |
| 2017-18                   | \$680,000             | GF                 |
| 2018-19                   | \$680,000             | GF                 |
| 2019-20                   | \$680,000             | GF                 |
| 2020-21                   | \$680,000             | GF                 |

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

#### Administrative Costs

The Department of Taxation ("the Department") considers implementation of this bill as routine, and does not require additional funding.

#### Revenue Impact

This bill would have an annual positive General Fund revenue impact of \$680,000 beginning in Fiscal Year 2016. This estimate is based on an average amount of the tax credit for contributions made to political candidates claimed during the previous five fiscal years.

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

Department of Taxation

**10. Technical amendment necessary: No.**

**11. Other comments:**

Federal Credit

Beginning in 1971, federal law provided a similar credit that was claimed on the federal income tax return. The credit equaled 50 percent of the contributions with a maximum of a \$50 credit for individuals or \$100 credit for joint filers for contributions to political candidates and certain political organizations. The credit was repealed by the Tax Reform Act of 1986.

Virginia Credit

The tax credit for contributions to political candidates was originally enacted during the 1999 General Assembly Session (1999 Acts of Assembly, Chapter 464). This credit is allowed for contributions to political candidates in a primary, special, or general election for local or state office held in the year in which the contribution was made. The credit is equal to 50 percent of such contribution, up to \$25 for an individual taxpayer, or \$50 for taxpayers filing a joint return. The credit is non-refundable, and unused credits cannot be carried over to subsequent years.

The Department processed returns during Fiscal Years 2008 through 2014 claiming the tax credit for contributions to political candidates in the following amounts:

| <b>Fiscal Year</b> | <b>Number of Returns</b> | <b>Amount Claimed</b> |
|--------------------|--------------------------|-----------------------|
| 2008               | 18,984                   | \$678,370             |
| 2009               | 21,392                   | \$722,201             |
| 2010               | 24,890                   | \$868,723             |
| 2011               | 16,908                   | \$587,501             |
| 2012               | 16,456                   | \$575,137             |
| 2013               | 20,580                   | \$702,770             |
| 2014               | 18,946                   | \$655,893             |

Proposed Legislation

This bill would repeal the individual income tax credit for contributions made to political candidates.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 2/10/2015 CWM

