

**DEPARTMENT OF TAXATION
2016 Fiscal Impact Statement**

1. **Patron** J. Chapman Petersen

2. **Bill Number** SB 115

3. **Committee** House Finance

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Individual Income Tax; Tax Credit for
Contributions to Political Candidates.

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. 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 effective date of this bill is not specified.

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

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

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2015-16	\$0	GF
2016-17	\$670,000	GF
2017-18	\$670,000	GF
2018-19	\$670,000	GF
2019-20	\$670,000	GF
2020-21	\$670,000	GF
2021-22	\$670,000	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 \$670,000 beginning in Fiscal Year 2017. This is based on the 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 Tax Credit for Political Contributions

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 The credit was repealed by the Tax Reform Act of 1986.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 Tax Credit for Contributions to Political Candidates

The tax credit for contributions to political candidates was originally enacted during the 1999 General Assembly Session (1999 *Acts of Assembly*, Chapter 464).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.

For purposes of this credit, "candidate" means a person who seeks or campaigns for an office of the Commonwealth or one of its governmental units in a general, primary, or special election and who is qualified to have his name placed on the ballot for the office. A "candidate" includes a person who seeks the nomination of a political party or who, by reason of receiving the nomination of a political party for election to an office, is referred to as its nominee.

The Department processed returns during Fiscal Years 2008 through 2015 claiming the tax credit for contributions to political candidates in the following amounts:

Fiscal Year	Number of Returns	Amount Claimed
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
2015	17,357	\$604,377

Proposed Legislation

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The effective date of this bill is not specified.

Similar Bills

House Bill 22 would impose a January 1, 2017 sunset date for the tax credit for contributions to political candidates.

cc : Secretary of Finance

Date: 2/16/2016 MTH
SB115FE161