

DEPARTMENT OF TAXATION

2016 Fiscal Impact Statement

1. **Patron** Jill Holtzman Vogel

3. **Committee** House Finance

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

2. **Bill Number** SB 422

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would increase the annual fiscal year cap for the Neighborhood Assistance Act Tax Credit to \$22 million and would equalize the amount of such cap allocated to education proposals and other proposals. Therefore, this bill would allocate \$11 million of the cap to education proposals and \$11 million to other proposals.

This bill would eliminate the requirement that at least 10 percent of the available amount of tax credits each year be allocated to qualified programs proposed by neighborhood organizations not receiving allocations in the preceding year.

This bill would also state that, for proposals other than education proposals, the requirement that at least 50 percent of the persons served by the neighborhood organization be low-income persons would not apply to any neighborhood organization primarily operated to provide on-site services to individuals with an intellectual or developmental disability.

This bill would be effective for Fiscal Year 2017 and each fiscal year thereafter.

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

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

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department"), the Department of Education ("DOE"), and the Department of Social Services ("DSS") consider implementation of this bill as routine, and do not require additional funding.

Revenue Impact

This bill would have a negative General Fund revenue impact of \$5 million in Fiscal Year 2017 and each fiscal year thereafter. No budget amendment is needed because the General Fund revenue impact is assumed in the Introduced Executive Budget.

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

Since 1982, the Virginia Neighborhood Assistance Act has provided an income tax credit to business firms and individuals that donate to neighborhood organizations for approved programs that benefit impoverished people. 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 such neighborhood organizations.

Under current law, the total amount of credits that may be granted to such neighborhood organizations for each fiscal year is subject to an annual cap in the following amounts:

	FY 2014	FY 2015	FY 2016 (and after)
Education Proposals	\$8 million	\$8.5 million	\$9 million
Other Proposals	\$7 million	\$7.5 million	\$8 million
TOTAL	\$15 million	\$16 million	\$17 million

A 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.

The Neighborhood Assistance Act Tax Credit is currently oversubscribed. The chart below lists the amount of credits requested by neighborhood organizations wishing to obtain an allocation of credits and the annual credit cap for Fiscal Years 2014 through 2016:

Fiscal Year	Education Proposals		Other Proposals	
	Credits Requested	Annual Cap	Credits Requested	Annual Cap
2014	\$11.1 million	\$8.0 million	\$18.5 million	\$7.0 million
2015	\$17.8 million	\$8.5 million	\$22.2 million	\$7.5 million
2016	\$19.4 million	\$9 million	\$26.7 million	\$8 million
Total	\$48.3 million	\$24.5 million	\$67.4 million	\$35.0 million

For education proposals, current law requires that:

- At least 50 percent of the persons served by the neighborhood organization and each of its affiliates be low-income persons or eligible students with disabilities and
- At least 50 percent of the revenue of the neighborhood organization and each of its affiliates be used to provide services to low-income persons or eligible students with disabilities.

For proposals other than education proposals, current law requires that at least 50 percent of the persons served by the neighborhood organization be low-income persons. Regulations promulgated by DSS further provide that:

- At least 50 percent of the persons served by the neighborhood organization and each of its affiliates must be low-income persons or eligible students with disabilities, and
- At least 50 percent of the total expenditures of the neighborhood organization and each of its affiliates must be used for low-income persons or eligible students with disabilities.

A "low-income person" is defined as an individual whose family's annual household income is not in excess of 300 percent of the current poverty guidelines.

An "eligible student with a disability" means a student for whom an individualized educational program has been written and finalized in accordance with the federal Individuals with Disabilities Education Act ("IDEA"), regulations promulgated pursuant to IDEA, and regulations of the Board of Education and whose family's annual household income is not in excess of 400 percent of the current poverty guidelines.

The chart below shows the federal poverty guidelines for 2015:

Household Size	100%	150%	200%	250%	300%	400%
1	\$11,770	\$17,655	\$23,540	\$29,425	\$35,310	\$47,080
2	\$15,930	\$23,895	\$31,860	\$39,825	47,790	63,720
3	\$20,090	\$30,135	\$40,180	\$50,225	60,270	80,360
4	\$24,250	\$36,375	\$48,500	\$60,625	72,750	97,000
5	\$28,410	\$42,615	\$56,820	\$71,025	85,230	113,640
6	\$32,570	\$48,855	\$65,140	\$81,425	97,710	130,280
7	\$36,730	\$55,095	\$73,460	\$91,825	110,190	146,920
8	\$40,890	\$61,335	\$81,780	\$102,225	122,670	163,560

Proposed Legislation

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This bill would eliminate the requirement that at least 10 percent of the available amount of tax credits each year be allocated to qualified programs proposed by neighborhood organizations not receiving allocations in the preceding year.

This bill would also state that, for proposals other than education proposals, the requirement that at least 50 percent of the persons served by the neighborhood organization be low-income persons would not apply to any neighborhood organization primarily operated to provide on-site services to individuals with an intellectual or developmental disability.

This bill would be effective for Fiscal Year 2017 and each fiscal year thereafter.

Similar Bills

House Bill 742 would permanently extend a provision that, for certain education proposals, provides a waiver of certain requirements imposed on affiliates of a

neighborhood organization. In addition, the bill would further expand the waiver provision so that it is available for proposals other than education proposals.

cc : Secretary of Finance

Date: 2/26/2016 JJS
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