

DEPARTMENT OF TAXATION

2023 Fiscal Impact Statement

1. **Patron** Frank M. Ruff, Jr.

2. **Bill Number** SB 1506

3. **Committee** Senate Finance and Appropriations

House of Origin:

X **Introduced**

 Substitute

 Engrossed

4. **Title** Income Tax Credits; Neighborhood
Assistance Program; Education
Improvement Scholarships

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would make several amendments to expand the availability of the Neighborhood Assistance Program Tax Credit ("NAP Tax Credit") and the Education Improvement Scholarships Tax Credits ("EISTC"). The bill would, beginning in Fiscal Year 2023, increase from \$9 million to \$25 million the limit on NAP Tax Credits approved by the Department of Education ("VDOE"), bringing the overall limit on such tax credits to \$33 million. The bill would also make the decisions of the VDOE regarding the qualification of a scholarship foundation or the awarding of EISTC not final and subject to appeal.

The bill would also provide that the annual allocation of tax credits among neighborhood organizations would not rely solely on the amount of credits awarded in the previous year. For the EISTC, the bill would allow certified public accountants to receive tax credits for donations of accounting services to scholarship organizations. The bill would also authorize scholarship foundations, which are the sole recipients of funding from the issuance of EISTC, to receive funding for scholastic assistance, defined in the bill as counseling or supportive services.

If enacted during the regular session of the 2023 General Assembly, this bill would become effective July 1, 2023.

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

Item(s): Page 1, Revenue Estimates

Item 135, Department of Education

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

7a. **Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2023-24	\$126,674	1	GF
2024-25	\$126,674	1	GF
2025-26	\$126,674	1	GF
2026-27	\$126,674	1	GF
2027-28	\$126,674	1	GF
2028-29	\$126,674	1	GF

8. Fiscal implications:

Administrative Costs

VDOE administers the education functions of the Neighborhood Assistance Program. This bill would result in VDOE incurring annual costs of \$126,674 beginning in Fiscal Year 2024 which would include the cost of one full-time employee.

VDSS responsibilities with regard to the program include the allocation of the VDSS tax credits for which an agency process already exists. The execution of those expanded provisions detailed in this bill can be absorbed within current capacity levels. Therefore, if this legislation is passed, there will be no fiscal impact to VDSS.

The Department of Taxation considers implementation of this bill to be routine and does not require additional funding.

Revenue Impact

The provision of this bill that would increase the cap on the amount of NAP Tax Credits that can be awarded by DOE from \$9 million to \$25 million would result in an unknown negative General Fund revenues of no more than \$16 million beginning in Fiscal Year 2024 and for each fiscal year thereafter. The remaining provisions of this bill would have no General Fund revenue impact.

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:

Proposed Legislation

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Similar Legislation

House Bill 2431 would make several amendments to expand the availability of the NAP Tax Credit and EISTC.

cc : Secretary of Finance

Date: 1/26/2023 VB
SB1506F161