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**HOUSE BILL NO. 1045**

Offered January 22, 1996

*A BILL to amend and reenact §§ 58.1-322, 58.1-333, 58.1-430 and 63.1-320 through 63.1-324 of the Code of Virginia; to amend the Code of Virginia by adding sections numbered 63.1-323.1 and 63.1-323.2; to amend and reenact the fourth enactment of Chapter 629 of the Acts of Assembly of 1981, as last amended by Chapter 779 of the Acts of Assembly of 1995; and to amend and reenact the third enactment of Chapter 407 of the Acts of Assembly of 1986, relating to family savings accounts.*

Patrons—Howell, Cooper, Crouch, Dillard, Johnson, Parrish, Purkey, Rhodes, Stump and Watkins

Referred to Committee on Finance

**Be it enacted by the General Assembly of Virginia:**

**1. That §§ 58.1-322, 58.1-333, 58.1-430 and 63.1-320 through 63.1-324 of the Code of Virginia are amended and reenacted and that the Code of Virginia is amended by adding sections numbered 63.1-323.1 and 63.1-323.2 as follows:**

§ 58.1-322. Virginia taxable income of residents.

A. The Virginia taxable income of a resident individual means his federal adjusted gross income for the taxable year, which excludes combat pay for certain members of the Armed Forces of the United States as provided in § 112 of the Internal Revenue Code, as amended, and with the modifications specified in this section.

B. To the extent excluded from federal adjusted gross income, there shall be added:

1. Interest, less related expenses to the extent not deducted in determining federal income, on obligations of any state other than Virginia, or of a political subdivision of any such other state unless created by compact or agreement to which Virginia is a party;

2. Interest or dividends, less related expenses to the extent not deducted in determining federal taxable income, on obligations or securities of any authority, commission or instrumentality of the United States, which the laws of the United States exempt from federal income tax but not from state income taxes;

3. Unrelated business taxable income as defined by § 512 of the Internal Revenue Code;

4. The amount of a lump sum distribution from a qualified retirement plan, less the minimum distribution allowance and any amount excludable for federal income tax purposes which is excluded from federal adjusted gross income solely by virtue of an individual's election to use the averaging provisions under § 402 of the Internal Revenue Code;

5. through 7. [Repealed.]

8. For taxable years beginning on and after January 1, 1990, and before January 1, 1994, any amount of self-employment tax deduction under § 164 (f) of the Internal Revenue Code; and

9. The amount required to be included in income for the purpose of computing the partial tax on an accumulation distribution pursuant to § 667 of the Internal Revenue Code.

10. *For taxable years beginning on or after January 1, 1996, withdrawals from a family savings account, but only to the extent that: (i) such withdrawals are not used for the acquisition of long-term assets in accordance with the provisions of Chapter 19 (§§ 63.1-320 et seq.) of Title 63.1 or (ii) the cumulative nontaxable withdrawals from a family savings account by such taxpayer exceed \$10,000.*

C. To the extent included in federal adjusted gross income, there shall be subtracted:

1. Interest or dividends on obligations of the United States and on obligations or securities of any authority, commission or instrumentality of the United States to the extent exempt from state income taxes under the laws of the United States including, but not limited to, stocks, bonds, treasury bills, and treasury notes, but not including interest on refunds of federal taxes, interest on equipment purchase contracts, or interest on other normal business transactions.

2. Interest on obligations of this Commonwealth or of any political subdivision or instrumentality of this Commonwealth.

3. [Repealed.]

4. Benefits received under Title II of the Social Security Act and other benefits subject to federal income taxation solely pursuant to § 86 of the Internal Revenue Code.

4a. A deduction equal to the amount used in computing the federal credit allowed under § 22 of the Internal Revenue Code by a retiree under age sixty-five who qualified for such retirement on the basis of permanent and total disability and who is a qualified individual as defined in § 22 (b) (2) of the Internal Revenue Code; however, any person who claims a subtraction under subdivision 5 of subsection

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60 D of this section may not also claim a deduction under this subdivision.

61 5. The amount of any refund or credit for overpayment of income taxes imposed by the  
62 Commonwealth or any other taxing jurisdiction.

63 6. The amount of wages or salaries eligible for the federal Targeted Jobs Credit which was not  
64 deducted for federal purposes on account of the provisions of § 280 C (a) of the Internal Revenue Code.

65 7. Any amount included therein which is foreign source income as defined in § 58.1-302.

66 8. For taxable years beginning after December 31, 1983, the available portion of total excess cost  
67 recovery as defined in former § 58.1-323 B and for taxable years beginning after December 31, 1987,  
68 the excess cost recovery amount specified in § 58.1-323.1 B.

69 9. [Expired.]

70 10. Any amount included therein less than \$600 from a prize awarded by the State Lottery  
71 Department.

72 11. The wages or salaries received by any person for active and inactive service in the National  
73 Guard of the Commonwealth of Virginia, not to exceed the amount of income derived from thirty-nine  
74 calendar days of such service or \$3,000, whichever amount is less; however, only those persons in the  
75 ranks of O3 and below shall be entitled to the deductions specified herein.

76 12. Amounts received by an individual, not to exceed \$1,000 in any taxable year, as a reward for  
77 information provided to a law-enforcement official or agency, or to a nonprofit corporation created  
78 exclusively to assist such law-enforcement official or agency, in the apprehension and conviction of  
79 perpetrators of crimes. This provision shall not apply to the following: an individual who is an employee  
80 of, or under contract with, a law-enforcement agency, a victim or the perpetrator of the crime for which  
81 the reward was paid, or any person who is compensated for the investigation of crimes or accidents.

82 13. [Repealed.]

83 14. (Expires for taxable years beginning on and after January 1, 1999.) The amount of any qualified  
84 agricultural contribution as determined in § 58.1-322.2.

85 15. [Repealed.]

86 16. The amounts of self-employment tax required to be added in computing Virginia taxable income  
87 for taxable years beginning on and after January 1, 1990, but before January 1, 1994, pursuant to  
88 subdivision B 8 of this section, as follows:

89 a. For taxable years beginning on and after January 1, 1994, and before January 1, 1995, the amount  
90 of self-employment tax added to federal adjusted gross income in taxable years beginning on and after  
91 January 1, 1990, and before January 1, 1991;

92 b. For taxable years beginning on and after January 1, 1995, and before January 1, 1996, the amount  
93 of self-employment tax added to federal adjusted gross income in taxable years beginning on and after  
94 January 1, 1991, and before January 1, 1992;

95 c. For taxable years beginning on and after January 1, 1996, and before January 1, 1997, the amount  
96 of self-employment tax added to federal adjusted gross income in taxable years beginning on and after  
97 January 1, 1992, and before January 1, 1993;

98 d. For taxable years beginning on and after January 1, 1997, and before January 1, 1998, the amount  
99 of self-employment tax added to federal adjusted gross income in taxable years beginning on and after  
100 January 1, 1993, and before January 1, 1994, and any amount of self-employment tax required to be  
101 added back for taxable years beginning on and after January 1, 1990, and before January 1, 1994, which  
102 was not subtracted in those taxable years.

103 17. For taxable years beginning on and after January 1, 1995, the amount of "qualified research  
104 expenses" or "basic research expenses" eligible for deduction for federal purposes, but which were not  
105 deducted, on account of the provisions of § 280 C (c) of the Internal Revenue Code and which shall be  
106 available to partners, shareholders of S corporations, and members of limited liability companies to the  
107 extent and in the same manner as other deductions may pass through to such partners, shareholders, and  
108 members.

109 18. *For taxable years beginning on or after January 1, 1996, interest earned by a qualified*  
110 *low-income person on the balance of a Family Savings Account, but only to the extent that the balance*  
111 *of such account does not exceed \$10,000, in accordance with the provisions of Chapter 19 (§§ 63.1-320*  
112 *et seq.) of Title 63.1.*

113 19. *For taxable years beginning on or after January 1, 1996, contributions received in accordance*  
114 *with the provisions of Chapter 19 (§§ 63.1-320 et seq.) of Title 63.1 for the purpose of matching*  
115 *deposits by a taxpayer on behalf of qualified low-income persons to family savings accounts, but only to*  
116 *the extent that: (i) such matching contribution does not exceed the lesser of fifty percent of the deposits*  
117 *made by the qualified low-income persons for such year, or \$600 and (ii) the total balance of the family*  
118 *savings account does not exceed \$10,000.*

119 D. In computing Virginia taxable income there shall be deducted from federal adjusted gross income:

120 1. a. The amount allowable for itemized deductions for federal income tax purposes where the  
121 taxpayer has elected for the taxable year to itemize deductions on his federal return, but reduced by the

amount of income taxes imposed by the Commonwealth or any other taxing jurisdiction and deducted on such federal return and increased by an amount which, when added to the amount deducted under § 170 of the Internal Revenue Code for mileage, results in a mileage deduction at the state level for such purposes at a rate of eighteen cents per mile; or

b. Two thousand dollars for taxable years beginning January 1, 1987, through December 31, 1987; \$2,700 for taxable years beginning January 1, 1988, through December 31, 1988; and \$5,000 for married persons (one-half of such amounts in the case of a married individual filing a separate return); and \$3,000 for single individuals for taxable years beginning on and after January 1, 1989; provided that the taxpayer has not itemized deductions for the taxable year on his federal income tax return. For purposes of this section, any person who may be claimed as a dependent on another taxpayer's return for the taxable year may compute the deduction only with respect to earned income.

2. a. A deduction in the amount of \$700 for taxable years beginning January 1, 1987, through December 31, 1987, and \$800 for taxable years beginning on and after January 1, 1988, for each personal exemption allowable to the taxpayer for federal income tax purposes. For taxable years beginning on and after January 1, 1987, each blind or aged taxpayer as defined under § 63 (f) of the Internal Revenue Code shall be entitled to an additional personal exemption.

b. An additional deduction of \$200 for taxable years beginning January 1, 1987 through December 31, 1987, for each blind or aged taxpayer as defined under § 63 (f) of the Internal Revenue Code. The additional deduction for blind or aged taxpayers allowed under this subdivision and the additional personal exemption allowed to blind or aged taxpayers under subdivision 2 a of this subsection shall be allowable regardless of whether the taxpayer itemizes deductions for the taxable year for federal income tax purposes.

3. A deduction equal to the amount of employment-related expenses upon which the federal credit is based under § 21 of the Internal Revenue Code for expenses for household and dependent care services necessary for gainful employment.

4. An additional \$1,000 deduction for each child residing for the entire taxable year in a home under permanent foster care placement as defined in Chapter 10 (§ 63.1-195 et seq.) of Title 63.1, provided the taxpayer can also claim the child as a personal exemption under § 151 of the Internal Revenue Code.

5. Effective for all taxable years beginning on and after January 1, 1990, a deduction in the amount of \$12,000 for taxpayers age sixty-five or older, or \$6,000 for taxpayers age sixty-two through sixty-four, less any amount received pursuant to the (i) Social Security Act or (ii) Railroad Retirement Act and treated for federal income tax purposes as equivalent to social security. Beginning in taxable year 1992 through taxable year 1993, the \$12,000 and \$6,000 deduction amounts shall be indexed annually in each such taxable year by an amount equivalent to the most recent percentage increase in the social security wage base.

Effective for the taxable year beginning January 1, 1994, a deduction in the amount of \$12,944 for taxpayers age sixty-five or older, or \$6,472 for taxpayers age sixty-two through sixty-four. Effective for the taxable year beginning January 1, 1995, a deduction in the amount of \$10,000 for taxpayers age sixty-five or older, or \$5,000 for taxpayers age sixty-two through sixty-four. Effective for all taxable years beginning on or after January 1, 1996, a deduction in the amount of \$12,000 for taxpayers age sixty-five or older, or \$6,000 for taxpayers age sixty-two through sixty-four.

Beginning in taxable year 1995, the deduction under this subdivision shall not be reduced by any amount received pursuant to the (i) Social Security Act or (ii) Railroad Retirement Act and treated for federal income tax purposes as equivalent to social security.

6. *For taxable years beginning on or after January 1, 1996, deposits made by a qualified low-income person to a family savings account, up to a maximum deduction of \$1,200 per taxpayer, per taxable year, in accordance with the provisions of Chapter 19 (§§ 63.1-320 et seq.) of Title 63.1 but only to the extent that the balance of such family savings account does not exceed \$10,000.*

E. There shall be added to or subtracted from federal adjusted gross income (as the case may be) the individual's share, as beneficiary of an estate or trust, of the Virginia fiduciary adjustment determined under § 58.1-361.

F. There shall be added or subtracted, as the case may be, the amounts provided in § 58.1-315 as transitional modifications.

§ 58.1-333. Tax credit for investments under the "Neighborhood Assistance and Family Savings Act of 1996."

~~Any~~ Under the Neighborhood Assistance and Family Savings Act of 1996 (§ 63.1-320 et seq.), any business firm or individual taxpayer, as defined in § 63.1-321, shall be allowed a credit against the tax imposed by § 58.1-320 or Chapter 12 of this title, §§ 58.1-2501 and 58.1-2626 of an amount equal to fifty percent of the total sum (i) invested under the Neighborhood Assistance Act of 1981 (§ 63.1-320 et seq.) during the taxable year, by such taxpayer or business firm during its taxable year in programs approved pursuant to § 63.1-323; or (ii) made in matching contributions to family savings accounts on

183 *behalf of low-income persons by the taxpayer or business firm during its taxable year in accordance*  
 184 *with § 63.1-323.1; such credit shall not exceed \$175,000 annually. No tax credit of less than fifty*  
 185 *dollars shall be granted, nor shall a tax credit be granted to any business firm or individual taxpayer for*  
 186 *investments if such activity is part of its normal course of business as defined in § 63.1-321. Any tax*  
 187 *credit not usable for the taxable year the investment was made may be carried over to the extent usable*  
 188 *for the next five succeeding taxable years or until the full credit is utilized, whichever is sooner. Credits*  
 189 *granted to a partnership or S corporation shall be passed through to the partners or shareholders,*  
 190 *respectively.*

191 § 58.1-430. Tax credit for investments under the "Neighborhood Assistance and Family Savings Act  
 192 of 1996."

193 *Any* ~~Under the Neighborhood Assistance and Family Savings Act of 1996, any business firm, as~~  
 194 ~~defined in § 63.1-321, shall be allowed a credit against the tax imposed by § 58.1-400 or Chapter 12 of~~  
 195 ~~this title, §§ 58.1-2501 and 58.1-2626 of an amount equal to fifty percent of the total sum invested~~  
 196 ~~under the Neighborhood Assistance Act of 1981 (§ 63.1-320 et seq.) during the taxable year, :~~ (i)  
 197 *invested by a business firm during its taxable year in programs approved pursuant to §63.1-323; and*  
 198 (ii) *of matching contributions made to family savings accounts on behalf of low-income persons by a*  
 199 *business firm during its taxable year in accordance with § 63.1-323.1; such credit shall not exceed*  
 200 *\$175,000 annually. No tax credit of less than fifty dollars shall be granted, nor shall a tax credit be*  
 201 *granted to any business firm for investments if such activity is a part of its normal course of business as*  
 202 *defined in § 63.1-321. Any tax credit not usable for the taxable year the investment was made may be*  
 203 *carried over to the extent usable for the next five succeeding taxable years or until the full credit is*  
 204 *utilized, whichever is sooner. Credits granted to a partnership or Subchapter S corporation shall be*  
 205 *passed through to the partners or shareholders, respectively.*

#### 206 CHAPTER 19.

#### 207 NEIGHBORHOOD ASSISTANCE AND FAMILY SAVINGS ACT.

208 § 63.1-320. Short title.

209 This chapter shall be known and may be cited as the "Neighborhood Assistance and Family Savings  
 210 Act of 1981/1996."

211 § 63.1-321. Definitions.

212 As used in this chapter:

213 "Business firm" means any business entity authorized to do business in the Commonwealth of  
 214 Virginia and subject to the state income tax on net corporation income (§ 58.1-400 et seq.) or a public  
 215 service company subject to a franchise or license tax on gross receipts, or a bank, bank and trust  
 216 company, insurance company, trust company, national bank, mutual savings bank, savings and loan  
 217 association, partnership, S corporation, or sole proprietorship.

218 "Community services" means any type of counseling and advice, emergency assistance, medical care,  
 219 or services designed to minimize the effects of poverty, furnished to individuals or groups in an  
 220 impoverished area, or impoverished people.

221 "Crime prevention" means any activity which aids the prevention or reduction of crime in an  
 222 impoverished area.

223 "Education" means any type of scholastic instruction or scholarship assistance to an individual who is  
 224 impoverished.

225 "Family savings account" means a savings account established by a qualified low-income person for  
 226 the purpose of acquiring long-term assets. Deposits by such persons shall be limited to \$1,200 annually.  
 227 Neither deposits made to family savings accounts by the persons, matching contributions received up to  
 228 fifty percent of annual deposits, interest paid on balances of less than \$10,000 in such accounts, nor  
 229 distributions of up to \$10,000 made from such accounts for authorized purposes shall be subject to the  
 230 state tax imposed on individual incomes pursuant to Article 2 (§ 58.1-320 et seq.) of Chapter 3 of Title  
 231 58.1.

232 "Impoverished area" means any area in Virginia which is approved as such by the Director of the  
 233 Department of Planning and Budget Commissioner of the Department of Social Services or his designee.  
 234 Such approval shall be made on the basis of federal census studies or current indices of social and  
 235 economic conditions or both.

236 "Impoverished people" means people in Virginia approved as such by the Director of the Department  
 237 of Planning and Budget or his designee. Such approval shall be made on the basis of generally  
 238 recognized low income criteria used by federal and state agencies.

239 "Individual taxpayer" means anyone subject to the state tax imposed on individual incomes under  
 240 Article 2 (§ 58.1-320 et seq.) of Chapter 3 of Title 58.1.

241 "Job training" means any type of instruction to an individual who is impoverished that enables him  
 242 to acquire vocational skills so that he can become employable or able to seek a higher grade of  
 243 employment.

244 "Long-term asset" means any of the following asset classifications: moneys spent for first-time home

purchase, rehabilitation of a home, provision of capital assets to a small business of which the account holder is the proprietor or investor, moneys spent for education or job training and skill development for an immediate family member or the account holder, or cash held in a family savings account in anticipation of acquiring these long-term assets.

"Low-income persons" means people in Virginia approved as such by the Commissioner of Social Services or his designee. Such approval shall be made on the basis of the generally recognized low-income criteria used by federal and state agencies.

"Matching contribution" means a sum provided for the purpose of making deposits to family savings accounts on behalf of low-income persons, limited to the lesser of fifty percent of the deposits made by the qualified low-income person for such year, or \$600.

"Neighborhood organization" means any organization performing community services ~~in an~~ for low-income persons or residents of impoverished area ~~or for impoverished people~~ areas, including the assumption of fiduciary responsibilities in connection with the administration of family savings accounts and holding a ruling from the Internal Revenue Service of the United States Department of the Treasury that the organization is exempt from income taxation under the provisions of §§ 501 (c) (3) and 501 (c) (4) of the Internal Revenue Code of 1986, as amended from time to time, or any organization defined as a community action agency in the Economic Opportunity Act of 1964 (42 U.S.C. § 2701 et seq.), or any housing authority as defined in § 36-3.

"Neighborhood assistance" means furnishing financial assistance, including serving in a fiduciary capacity for family savings accounts; labor; material; or technical advice to aid in the physical improvement of any part or all of an impoverished area, or to aid the physical improvement of the homes of ~~impoverished people~~ low-income persons.

"Normal course of business" means those acts which are engaged in by a business firm with a view toward winning financial gain, or those acts which are performed by a business firm in the conduct of the business firm as a business.

"Professional services" means any type of personal service to the public which requires as a condition precedent to the rendering of such service the obtaining of a license or other legal authorization and shall include, but shall not be limited to, the personal services rendered by medical doctors, dentists, architects, professional engineers, certified public accountants and attorneys-at-law.

§ 63.1-322. Public policy, business firms, investment.

It is hereby declared to be public policy of the Commonwealth of Virginia to encourage direct ~~investment~~ participation by business firms and individuals in programs and activities offering neighborhood assistance and providing job training, education, crime prevention, and community services to neighborhood organizations to benefit low-income individuals living in impoverished areas ~~or impoverished people~~ and to encourage the acquisition of long-term assets among low-income Virginia families through tax-advantaged family savings accounts.

§ 63.1-323. Tax credit authorized; proposals; regulations; amount for programs.

Any individual taxpayer or business firm that engages engaging in the activities of providing neighborhood assistance, job training or education for individuals not employed by the business firm, community services or crime prevention services in an impoverished area or for ~~impoverished people~~ low-income persons shall receive a tax credit as provided in § 63.1-324, if the Commissioner of the Department of Social Services or his designee approves the proposal of such business firm or of a neighborhood organization. The proposal shall set forth the program to be conducted, the impoverished area or ~~impoverished people~~ low-income persons selected, the estimated amount to be invested in the program and the plans for implementing the program. A copy of the proposal shall be submitted by the Commissioner of Social Services or his designee to all planning district commissions within whose boundaries the proposal will operate. The planning district commissions shall thereafter notify their respective local units of government of the contents of the proposal. Such commission or the governing body of each governmental subdivision may thereafter comment in writing on the proposal to the Commissioner or his designee. If, in the opinion of the Commissioner or his designee, a business firm's investment can more consistently meet with the purposes of this chapter if made through contributions to a nonprofit neighborhood organization, a tax credit may similarly be allowed as provided in § 63.1-324. The Commissioner of Social Services or his designee is hereby authorized to promulgate ~~regulations~~ guidelines for the approval or disapproval of such proposals by business firms or neighborhood organizations. The Commissioner shall designate the Director of the Department of Housing and Community Development to promulgate guidelines and perform all functions necessary for the administration of family savings accounts for low-income Virginians. Such ~~regulations~~ guidelines shall contain a requirement that an annual audit be provided by the business firm or neighborhood organization as a prerequisite for approval. The guidelines shall also contain requirements and procedures for the treatment of a premature distribution resulting from the death or divorce of the account holder, or other circumstances. Through June 30, 1996, the total amount of tax credit granted

for programs approved under this chapter for each fiscal year shall not exceed \$5,250,000. From July 1, 1996, through June 30, 1998 2000, the total amount of tax credit granted for programs approved under this chapter for each fiscal year shall not exceed eight million dollars. *The tax credits made available by this chapter to qualifying taxpayers for programs serving impoverished areas or low-income persons shall be supplemented by an additional one million dollars in tax credits reserved for use by taxpayers providing matching contributions to qualified family savings accounts.* Tax credits shall not be authorized after fiscal year 19982000.

§ 63.1-323.1. *Tax credit authorized for contributions to family savings accounts of low-income persons; annual savings cap; liability for taxation; number of accounts authorized.*

Any individual taxpayer or business firm making a matching contribution to a family savings account established in accordance with this Act and guidelines promulgated by the designee of the Commissioner of the Department of Social Services shall receive a tax credit as provided in § 63.1-324. Qualified low-income persons may contribute up to \$1,200 annually to an account established in accordance with the guidelines. Excess savings, excess matching contributions, or distributions in amounts exceeding \$10,000 or which are not used for authorized purposes shall be liable for applicable income taxes. In any one year, matching contributions equal to up to fifty percent of the deposits made by a low-income person to a family savings account shall be permitted. In no event may aggregate matching contributions to the family savings account of a single low-income person exceed \$600. A maximum of 10,000 individual accounts may be authorized through June 30, 2000.

§ 63.1-323.2. *Prohibition on attachments.*

Neither the amounts (i) saved by individual low-income account holders, (ii) made in matching contributions, nor (iii) earned from interest on such accounts shall be subject to a lien of any attachment, garnishment proceeding, writ of fieri facias, or to a levy or distress in any manner for any debt due by the account holder.

§ 63.1-324. Tax credit, amount, limitation, carry over.

The Commissioner of the Department of Social Services or his designee shall certify to the Commissioner of the Department of Taxation, or in the case of public service corporations subject to a license tax imposed by Chapter 26 (§ 58.1-2600 et seq.) of Title 58.1, to the Director of Public Service Taxation for the State Corporation Commission, the applicability of the tax credit provided herein for an individual taxpayer against any tax due under Article 2 (§ 58.1-320 et seq.) of Chapter 3 of Title 58.1 or for a business firm against any tax due under Article 10 (§ 58.1-400 et seq.) of Chapter 3 of Title 58.1 or against any income tax, franchise tax, gross receipts tax or premium tax due from a public service company, bank, bank and trust company, trust company, insurance company, other than a foreign fire or casualty insurance company, national bank, mutual savings bank, savings and loan association, partnership, S corporation, or sole proprietorship, in an amount equaling fifty percent of the total amount invested by the business firm during its taxable year in programs approved pursuant to § 63.1-323 (i) invested by an individual taxpayer or business firm during its taxable year in programs approved pursuant to § 63.1-323; and (ii) made in matching contributions to a family savings account on behalf of low-income persons by an individual taxpayer or business firm during its taxable year in accordance with § 63.1-323.1. Notwithstanding the provisions of § 63.1-325, credits granted to a clinic organized in whole or in part for the delivery of health care services without charge may be assigned by the clinic to physicians and dentists who are licensed pursuant to Title 54.1 and who provide health care services without charge within the scope of their licensure at the clinic. No tax credit of less than \$50 shall be granted for any individual proposal, and a business firm shall not be allowed a tax credit in excess of \$175,000 per taxable year. No tax credit shall be granted to any business firm for activities that are a part of its normal course of business. Any tax credit not usable for the period the investment was made may be carried over to the extent usable for the next five succeeding taxable years or until the full credit has been utilized, whichever is sooner.

**2. That the fourth enactment of Chapter 629 of the Acts of Assembly of 1981, as last amended by Chapter 779 of the Acts of Assembly of 1995, is amended and reenacted as follows:**

4. That this act shall expire on July 1, 1998 2000, and be of no further force or effect; however, a business firm which received or individual taxpayer receiving the tax credit provided by this act while it was in effect shall be entitled to carry over that credit for the next five succeeding taxable years whether or not this act shall expire on July 1, 19982000.

**3. That the third enactment of Chapter 407 of the Acts of Assembly of 1986 is amended and reenacted as follows:**

3. That the provisions of § 63.1-324 shall be effective for all taxable years beginning on or after January 1, 1986, except that credits for matching contributions to family savings accounts shall not be authorized for taxable years beginning prior to January 1, 1996.

**4. That the Commissioner of the Department of Social Services or his designee shall promulgate such emergency guidelines as may be required to implement the provisions of this act.**