

# DEPARTMENT OF TAXATION

## 2014 Fiscal Impact Statement

1. **Patron** Walter A. Stosch

3. **Committee** House Finance

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

2. **Bill Number** SB 563

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

**Second House:**

  X   **In Committee**

           **Substitute**

           **Enrolled**

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

This bill would increase the \$8 million annual credit cap for education proposals to \$8.5 million for Fiscal Year 2015, and to \$9 million for Fiscal Year 2016 and each fiscal year thereafter. This bill would also increase the \$7 million annual credit cap for all other proposals to \$7.5 million for Fiscal Year 2015, and to \$8 million for Fiscal Year 2016 and each fiscal year thereafter.

This bill would also waive the requirement that affiliates of a neighborhood organization submitting an education proposal meet the requirements that at least 50 percent of the persons served are low-income persons or eligible students with disabilities, and that at least 50 percent of the revenues are used to provide services to such persons. This waiver would be effective for tax credit allocations for Fiscal Years 2015 through 2020 and would apply only to a neighborhood organization that received a tax credit allocation for Fiscal Year 2012 and meets the requirements, provided that none of its affiliates receives tax credits for any program year of such five-year period.

The effective date of this bill is not specified.

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

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

8. **Fiscal implications:**

#### Administrative Cost

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

## Revenue Impact

This bill would increase the \$15 million aggregate credit cap to \$16 million for Fiscal Year 2015, and to \$17 million for Fiscal Year 2016 and each fiscal year thereafter. The increased aggregate credit cap for Fiscal Years 2015 and 2016 is assumed in Item § 3-5.04 of the 2014-2016 Introduced Executive Budget. As a result, this bill would not require a budget amendment if it is enacted.

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

Department of Taxation  
Department of Education  
Department of Social Services

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

### **11. Other comments:**

#### Current Law

The Virginia Neighborhood Assistance Act provides an income tax credit to business firms and individuals that donate to neighborhood organizations for approved programs that benefit impoverished people. Under this Act, a neighborhood organization is allocated funding through the Neighborhood Assistance Act Program. 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 neighborhood organizations with approved programs. An individual or business firm 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.

A neighborhood organization is any local, regional or statewide organization whose primary function is providing community services, education, housing assistance, or job training to impoverished people and that is a nonprofit entity that is exempt from taxation under federal law; any organization defined as a community action agency in the Economic Opportunity Act of 1964; or any housing authority as defined under Virginia law. For a neighborhood organization that submits an education proposal to qualify for an allocation of the credit, at least 50 percent of the persons served by the neighborhood organization and each of its affiliates must be low-income persons with an annual family household income not in excess of 300 percent of the current poverty guidelines or eligible students with disabilities, and at least 50 percent of the neighborhood organization's revenues and each of its affiliates' revenues must be used to provide services to low-income persons or to eligible students with disabilities. For a neighborhood organization that submits a non-education proposal to qualify for an allocation of the credit, at least 40 percent of the persons served by the neighborhood organization and each of its affiliates must be low-income persons with an annual family income not in excess of 300 percent of the current poverty guidelines.

The Neighborhood Assistance Act Tax Credit is equal to 65 percent of the value of the money, property, professional services, and contracting services donated by a business firm, or 65 percent of the value of a monetary donation or donation of marketable securities made by an individual. The minimum credit that may be issued to a business firm is \$400. For individuals, the minimum donation must be at least \$500, and the maximum donation that is eligible for the credit is \$125,000. Any unused credits may be carried over for the next five succeeding taxable years or until the total amount of credit has been taken, whichever is sooner.

The total amount of credits that may be granted for each fiscal year is \$15 million. Out of this amount, \$8 million may be allocated for education proposals, while the remaining \$7 million may be allocated for all other proposals.

### Proposed Legislation

This bill would increase the \$8 million annual credit cap for education proposals to \$8.5 million for Fiscal Year 2015, and to \$9 million for Fiscal Year 2016 and each fiscal year thereafter. This bill would also increase the \$7 million annual credit cap for all other proposals to \$7.5 million for Fiscal Year 2015, and to \$8 million for Fiscal Year 2016 and each fiscal year thereafter.

Current law requires that, for education proposals, (1) at least 50 percent of the persons served by the neighborhood organization and its affiliates be low-income persons or eligible students with disabilities and (2) 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 to eligible students with disabilities. This bill would waive these requirements for education proposals submitted by a neighborhood organization, provided that:

- The neighborhood organization received an allocation of credits for Fiscal Year 2012;
- At least 50 percent of the persons served by the neighborhood organization are low-income persons or eligible students with disabilities;
- At least 50 percent of the neighborhood organization's revenues are used to provide services to such persons; and
- None of the affiliates of the neighborhood organization receives an allocation of tax credits for any program year of such five-year period.

The waiver of these requirements would apply to tax credit allocations beginning for Fiscal Year 2015 and ending with tax credit allocations for Fiscal Year 2020.

The effective date of this bill is not specified.

### Similar Bills

**House Bill 737** would increase the percentage of persons served by a neighborhood organization that must be low-income persons from 40 percent to 50 percent.

**House Bill 1179** and **Senate Bill 591** would create a 30-day grace period for neighborhood organizations to submit an audit, review, or compilation in order to receive an allocation of Neighborhood Assistance Act Tax Credits.

cc : Secretary of Finance

Date: 2/7/2014 MTH  
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