



## **Economic Impact Analysis Virginia Department of Planning and Budget**

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### **22 VAC 40-41 – Neighborhood Assistance Tax Credit Program, Department of Social Services**

July 22, 2001

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The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 9-6.14:7.1.G of the Administrative Process Act and Executive Order Number 25 (98). Section 9-6.14:7.1.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

### **Summary of the Proposed Regulation**

The proposed amendments to the *Neighborhood Assistance Tax Credit Program* reflect changes in the controlling statute that now allow individuals, additional health professionals, and businesses offering contracting services to receive tax credits for their donations.

### **Estimated Economic Impact**

The Neighborhood Assistance Program provides tax credits as an incentive to encourage donations to qualified non-profit organizations for the benefit of impoverished people. The amount of tax credits available is established by the General Assembly and has been set at \$8 million for the past several years.

Prior to 2000, only businesses, physicians, and dentists could receive tax credits for donations made to Approved Neighborhood Assistance Program (NAP) projects. The only services that could be donated were those listed in the procurement section of the Code of Virginia. Changes made in recent General Assembly sessions added "contracting services" as

services that are allowable as a donation eligible for tax credits, specified that individuals can now make cash donations to NAP programs in exchange for tax credits, and expanded the list of health care professionals who can receive tax credits for donations of their professions services to include nurse practitioners, physician's assistants, optometrists, dental hygienists, and pharmacists.

Broadening the base of allowable donors is likely to increase the amount of donations made to NAP projects only if the maximum level of tax credits available is not currently being exceeded. According to the Department of Social Services, in the 1999 program year, only \$7 million of the \$8 million in tax credits available was allocated out to projects. During the 2000 program year, when individuals were first allowed to make donations, all \$8 million available was allocated out to projects. The maximum amount of tax credits available to be claimed by individuals is \$1 million.<sup>1</sup> Therefore, increases in individual donors are not expected to replace existing business donors. According to the Department, the programs that received new donations from individuals were those that marketed the new tax credit well.

In summary, the proposed changes to this regulation reflect current practices allowed by law and ensure that the public has access to current clear information that will help them make use of this program. One possible disadvantage is that the new changes increase the complexity of the tax credit program and may make the program more difficult to administer and comply with, especially for smaller non-profit organizations.

## **Businesses and Entities Affected**

There are currently 234 approved Neighborhood Assistance Programs. The Department of Social Services estimates that over 4,500 individuals and businesses donated to those projects last year.

## **Localities Particularly Affected**

The proposed changes to this regulation will not uniquely affect any particular localities.

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<sup>1</sup> The minimum and maximum donation amounts for each individual are currently \$50 to \$200. This amount is increasing to a minimum donation of \$900 and a maximum donation of \$1,667 in 2002.

## **Projected Impact on Employment**

The proposed changes to this regulation are not expected to have any impact on employment in Virginia.

## **Effects on the Use and Value of Private Property**

The proposed changes to this regulation are not expected to have any significant effects on the use and value of private property.