

**REPORT OF THE
JOINT SUBCOMMITTEE STUDYING**

INCENTIVES TO ENCOURAGE VOLUNTEERISM

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



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**Report of the
Joint Subcommittee Studying
Incentives to Encourage
Volunteerism
To
The Governor and the General Assembly of Virginia
Richmond, Virginia
December, 1983**

To: Honorable Charles S. Robb, Governor of Virginia
and
The General Assembly of Virginia

I. Introduction

The Joint Subcommittee Studying Incentives to Encourage Volunteerism was established pursuant to House Joint Resolution No. 55 enacted by the 1983 Session of the General Assembly of Virginia. House Joint Resolution No. 55 reads as follows:

WHEREAS, the Commonwealth of Virginia relies heavily on the many voluntary public services rendered by its citizens; and

WHEREAS, the value of volunteerism is especially noticeable in the Commonwealth's public school systems and in the delivery of human services at the local levels; and

WHEREAS, in recent years, thousands of volunteers have devoted countless hours to serving the State; and

WHEREAS, volunteers, who perform services which the government would otherwise have to provide, save the taxpayers millions of dollars every year; and

WHEREAS, volunteers are often inhibited by costs, such as transportation expenses, incurred during the course of service, and

WHEREAS, during this time of dwindling resources and increasing costs, the services provided by volunteers in the Commonwealth are essential; and

WHEREAS, the Commonwealth should not stand idly by while the cost of volunteerism drives its volunteers away; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the House Committees on Education, Health, Welfare and Institutions, and Appropriations, and the Senate Committees on Education and Health, Finance, and Rehabilitation and Social Services are hereby requested to establish a joint subcommittee to study incentives to encourage volunteerism.

The joint subcommittee shall investigate:

- 1) tax incentives for encouraging voluntary participation, such as credits for hours of service and compensation for automobile mileage;
- 2) other methods of rewarding volunteers for their services;
- 3) methods of recruiting and retaining volunteers and more efficiently utilizing their services in Virginia; and
- 4) other matters it deems appropriate to this study.

Two members of the House Education Committee, two from the House Health, Welfare and Institutions Committee, and one from the House Appropriations Committee shall be appointed by the chairman thereof.

The Privileges and Elections Committee shall appoint one representative from the Senate Education and Health Committee, one from the Senate Finance Committee, and one from the Senate Rehabilitation and Social Services Committee.

The joint subcommittee is hereby requested to conclude its study in time to submit its recommendations to the 1984 Session of the General Assembly.

The cost of this study shall not exceed \$5,000.

The joint subcommittee held three well-publicized meetings and one formal public hearing in Richmond. Members of the public were allowed to address the joint subcommittee at each meeting. During the course of the study the subcommittee drew on the expertise of the subcommittee members and numerous individuals actively involved in the field of volunteerism. Mr. G. Neil Karn, Director of the Virginia Division of Volunteerism, worked closely with the joint subcommittee in all aspects of the study.

II. Summary

Following a comprehensive study of volunteerism in the Commonwealth and a multitude of various incentives to encourage volunteerism, the joint subcommittee makes the following recommendations:

1. That volunteers be allowed a tax deduction of eighteen cents per mile for mileage traveled on behalf of charitable organizations and state and local governments; and
2. That a statewide volunteer awards program be established to recognize citizens for outstanding volunteer service.

The joint subcommittee also decided to meet with the Secretary of Administration and Finance during the 1984 Session to discuss the feasibility and cost of (i) allowing state employees release time from regular work hours to perform volunteer service and (ii) instituting a rewards system and an awards program for state employees who work well with volunteers. The subcommittee decided that it may make specific recommendations in regard to such personnel policies if, after meeting with Secretary, such policies are deemed appropriate.

III. Volunteerism in the Commonwealth

Prior to giving consideration to specific incentives to encourage volunteerism the joint subcommittee felt it necessary to assess the current state of volunteerism in the Commonwealth. In that regard the subcommittee requested Mr. G. Neil Karn, Director of the Virginia Division of Volunteerism, to briefly discuss the history, purpose and operation of his office and comment on the current status of volunteerism in the Commonwealth.

Mr. Karn reported that the Virginia Division of Volunteerism originated in 1974 as the State Office on Volunteerism. By virtue of General Assembly action taken in 1979, the Office became a full-fledged agency of state government. The Division's broad legislative mandate is to encourage and enhance volunteerism in the Commonwealth. To accomplish that charge the Division provides technical assistance, training and consultation on all aspects of volunteer program management.

Commenting on the state of volunteerism in the Commonwealth Mr. Karn made the following observations:

1. Volunteers are making a substantial contribution to service delivery of state and local governments and charitable organizations;
2. In general, volunteerism is on the increase in the Commonwealth; however, further incentives are needed to maintain this increase; and
3. Legal, organizational and administrative barriers stand in the way of a substantial increase in volunteer activity.

IV. Proposed Incentives to Encourage Volunteerism

In the course of its meetings and public hearings the joint subcommittee heard from numerous volunteer organizations, governmental representatives and concerned citizens. The following incentives to encourage volunteerism were presented to the subcommittee for its consideration:

1. Increase the tax deduction for mileage traveled by volunteers;
2. Allow volunteers a tax deduction for the value of their time spent in volunteer service;
3. Devise and implement a formula to allow educational and employment experience credit for time spent in volunteer service;
4. Require all state agencies to have full-time volunteer coordinators to oversee the use of volunteers;
5. Establish a "Virginia Volunteer Day" or "Volunteer Week" to give recognition to citizens who are active in volunteerism;
6. Investigate the concept of providing workmen's compensation for volunteers in state service;
7. Increase funding and staff for the Virginia Division of Volunteerism;
8. Allow a tax deduction for child care costs incurred by volunteers;
9. Expand educational opportunities for volunteers;
10. Encourage volunteerism throughout state government by having the General Assembly actively endorse and support the establishment of volunteer programs;
11. Institute a statewide volunteer awards program;
12. Establish a "Volunteer for Virginia" public education campaign;
13. Establish a release time program for state employees who volunteer; and
14. Establish an awards program for state employees who work well with volunteers.

V. Recommendations and Discussion

The joint subcommittee, by way of a cost-benefit analysis, gave serious consideration to each suggested incentive to encourage volunteerism. As a result of this process, and for the reasons discussed below, the joint subcommittee makes the following recommendations:

Recommendation #1: Increase the tax deduction for mileage traveled by volunteers for charitable purposes and for service to state and local governments from nine cents per mile to eighteen cents per mile.

Discussion: Currently taxpayers are allowed to deduct, by way of conformity with federal itemized deductions, nine cents per mile for mileage traveled on behalf of charitable organizations. This is considerably less than the twenty cents per mile deduction allowed for business travel. Due to the increasing cost of travel, and the inhibiting influence this cost has on volunteerism, the joint subcommittee recommends that the mileage deduction at the state level be increased from nine to eighteen cents per mile. This deduction is to be allowed for mileage traveled by volunteers performing services for charitable organizations and state and local governments. No mileage deduction is to be allowed for mileage traveled while volunteering in a political campaign or program.

It was felt that the cost of this incentive, based on information obtained from other states, would amount to approximately \$50,000 per year in lost revenue. The members were also of the opinion that this cost would be significantly outweighed by the benefits derived from increased volunteer activity in both the public and private sectors. The joint subcommittee requested staff to draft the necessary legislation in bill form, for introduction in the 1984 Session of the General Assembly.

Recommendation #2: Institute a statewide volunteer awards program.

Discussion: Experts in the field of volunteerism agree that recognition is an effective and inexpensive tool for increasing volunteerism. Many states have established such an awards program and have experienced positive results in volunteer activity and moral. Therefore, the joint subcommittee recommends that a statewide awards program for volunteers be instituted. Although the program would cost less than \$10,000 each year, the joint subcommittee recommends that the program be implemented only if a private sector sponsor can be found to administer the cost of the program. The program is to be designed and administered by the Virginia Division of Volunteerism. The joint subcommittee requested that staff prepare the necessary legislation, in the form of a resolution, for introduction in the 1984 Session of the

General Assembly.

In addition to the aforementioned recommendations the joint subcommittee agreed to meet with the Secretary of Administration and Finance during the first week of the 1984 Session of the General Assembly to discuss additional incentives to encourage volunteerism. These incentives, which were tentatively approved by the joint subcommittee are as follows:

1. Establish a release time program for state employees who participate in volunteer programs; and
2. Institute a rewards system and awards program for state employees who work well with volunteers.

Although these incentives would require a minimal cost to the Commonwealth, the members of the subcommittee decided that it would be inappropriate to make specific recommendations which impact state personnel policies without first obtaining comment from the Secretary of Administration and Finance. The subcommittee, however, indicated that it may make such recommendations if, after meeting with the Secretary, they are deemed appropriate.

VI. Legislation

The following bill embodies the joint subcommittee's Recommendation #1:

A BILL to amend and reenact § 58-151.013 of the Code of Virginia, relating to Virginia taxable income.

Be it enacted by the General Assembly of Virginia:

1. That § 58-151.013 of the Code of Virginia is amended and reenacted as follows:

§ 58-151.013. Virginia taxable income.—(a) General. - The Virginia taxable income of a resident individual means his federal adjusted gross income for the taxable year, with the modifications specified in this section.

(b) Additions. - 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 taxable income, on obligations of any state other than this State, or of a political subdivision of any such other state unless created by compact or agreement to which this State is a party; and

(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) Forty percent of the capital gain part and all of the ordinary income part of a lump-sum distribution from a qualified retirement plan, less the minimum distribution allowance and any amount excludable for federal income tax purposes;

(5) Deduction for two-earner married couples as allowed under § 221 of the Internal Revenue Code of 1954, as amended;

(6) For taxable years beginning after December 31, 1981, and before January 1, 1984, the excess cost recovery as defined in § 58-151.013:1 (A).

(c) Subtractions. - 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 State or of any political subdivision or instrumentality of this State.

(3) The following items of pension or retirement income and benefits:

(A) Pensions or retirement income to officers and employees of this State, its subdivisions and agencies, or surviving spouses of such officers or employees exempt from state income taxation under the laws of this State, and pensions or retirement income to officers and employees who are retired under the provisions of Chapter 2 (§ 51-3 et seq.) of Title 51, or to spouses of such officers and employees;

(B) through (F) [Repealed.]

(G) Benefits received under Title II of the Social Security Act.

(4) Dividends to the extent includable in gross income for federal income tax purposes and in excess of any dividend exclusion provided in the laws of the United States relating to federal income taxes, upon stock in:

(A) [Repealed.]

(B) Any domestic international sales corporation (as defined by § 992 of the Internal Revenue Code of 1954, as amended), fifty percent or more of the income of which was assessable for the preceding year, or the last year in which such corporation has income, under the provisions of the income tax laws of this State.

(5) The amount of any refund or credit for overpayment of income taxes imposed by this State or any other taxing jurisdiction.

(6) Any amount included therein by the operation of the provisions of § 78 of the Internal Revenue Code of 1954 (foreign dividend gross-up).

(7) The amount of wages or salaries eligible for the federal Targeted Jobs Credit or the amount of expenses eligible for the federal work incentive program which was not deducted for federal purposes on account of the provisions of § 280 C (a) or § 280 C (b) of the Internal Revenue Code of 1954, as amended.

(8) Any amount included therein by the operation of § 951 of the Internal Revenue Code (subpart F income).

(9) Any amount included therein which is foreign source income.

(A) The term "foreign source income" means:

(i) Interest other than interest derived from sources within the United States;

(ii) Dividends other than dividends derived from sources within the United States;

(iii) Rents, royalties, license, and technical fees from property located or services performed without the United States or from any interest in such property, including rents, royalties, or fees for the use of or the privilege of using without the United States any patents, copyrights, secret processes and formulas, good will, trademarks, trade brands, franchises, and other like properties; and

(iv) Gains, profits, or other income from the sale of intangible or real property located without the United States.

(B) In determining the source of income for purposes of paragraph (A) above, the provisions of §§ 861, 862, and 863 of the Internal Revenue Code, shall be applied.

(10) For taxable years beginning after December 31, 1983, and before January 1, 1989, the available portion of total excess cost recovery as defined in § 58-151.013:1 (B).

(11) To the extent not deducted from adjusted gross income, the fair market value, as determined by the Department of Education, of qualified technological equipment donated to a school division, a private nonprofit elementary or secondary school, a nonprofit or state-supported, degree-granting, accredited institution of higher education, or a science center located in Virginia. "Qualified technological equipment" means usable computers or other sophisticated technological equipment found by the Department of Education to be suitable for direct use in the level of education offered by the donee institution, and actually used for such purpose.

(d) Deductions. - There shall be deducted:

(1) The amount allowable for itemized deductions for federal income tax purposes where the taxpayer has elected for the taxable year to itemize deductions on his federal return, but reduced by the amount of income taxes imposed by this State or any other taxing jurisdiction and deducted on such federal return *and increased by an amount which, when added to the amount deductible 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

(2) Fifteen percent of federal adjusted gross income not to exceed a maximum amount of \$2,000 (or 1/2 of such maximum amount in the case of a married individual filing a separate return), or \$1,300 (\$650 in the case of a married individual filing a separate return), whichever is greater, provided that the taxpayer has not itemized deductions for the taxable year on his federal income tax return. For purposes of the calculation of this subsection, the federal adjusted gross income of a taxpayer who has elected under § 402 of the Internal Revenue Code to use the special ten-year averaging method of taxing a lump-sum distribution from a qualified retirement plan shall be increased by the amount added to adjusted gross income under subsection (b) (3) of this section;

(3) A deduction in the amount of \$600 for each personal exemption allowable to the taxpayer for federal income tax purposes, and an additional deduction of \$400 for each exemption allowable to the taxpayer under paragraph (c) of § 151 of the Internal Revenue Code; and

(4) A deduction equal to the amount of employment-related expenses upon which the federal credit is based under § 44A of the Internal Revenue Code for expenses for household and dependent care services necessary for gainful employment.

(e) Other modifications and adjustments. - (1) 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 § 58-151.023.

(2) Where husband and wife have not separately reported and claimed items of income, exemptions and deductions for federal income tax purposes, and have not elected to file a joint Virginia income tax return, such items allowable for Virginia income tax purposes shall be allocated and adjusted as follows:

(A) Income shall be allocated to the spouse who earned the income or with respect to whose property the income is attributable.

(B) Allowable deductions with respect to trade, business, production of income, or employment shall be allocated to the spouse to whom attributable.

(C) Nonbusiness deductions, where properly taken for federal income tax purposes, shall be allowable for Virginia income tax purposes, but shall be allocable between husband and wife as they may mutually agree. For this purpose, "nonbusiness deductions" consist of allowable deductions not described in paragraph (B) above.

(D) Where the standard deduction or low income allowance is properly taken pursuant to subsection (d) (2) of this section such deduction or allowance shall be allocable between

husband and wife as they may mutually agree.

(E) Personal exemptions properly allowable for federal income tax purposes shall be allocated for Virginia income tax purposes as husband and wife may mutually agree; ~~provided~~, however, ~~that~~ exemptions for taxpayer and spouse together with exemptions for old age and blindness must be allocated respectively to the spouse to which they relate.

(3) Where allocations are permitted to be made under paragraph (2) above pursuant to agreement between husband and wife, and husband and wife have failed to agree as to such allocations, such allocations shall be made between husband and wife in a manner corresponding to the treatment for federal income tax purposes of the items involved, under regulations prescribed by the Department of Taxation.

(f) Nonresidents. - (1) Nonresident individuals, partners and beneficiaries. - The Virginia taxable income of a nonresident individual, partner or beneficiary shall be an amount bearing the same proportion to his Virginia taxable income, computed as though he were a resident, as the net amount of his income, gain, loss and deductions from Virginia sources bears to the net amount of his income, gain, loss and deductions from all sources.

(2) Certain nonresident shareholders. - For a nonresident individual who is a shareholder in an electing small business corporation, there shall be included in his Virginia taxable income his share of the taxable income of such corporation, and his share of any net operating loss of such corporation shall be deductible from his Virginia taxable income.

(g) Transitional modifications. - There shall be added or subtracted, as the case may be, the amounts provided in § 58-151.0111 as transitional modifications.

(h) Partner's modifications. - Virginia taxable income shall, as to partners, be adjusted to reflect the modifications provided in § 58-151.014.

2. That the provisions of this act shall be effective for tax years beginning on and after January 1, 1985.

The following resolution embodies the subcommittee's Recommendation Number 2:

HOUSE JOINT RESOLUTION NO. ...

Requesting the Virginia Division of Volunteerism to institute an annual statewide volunteer awards program.

WHEREAS, volunteers selflessly donate their time and energies to a multitude of worthy causes and thereby perform an invaluable service to the Commonwealth and her citizens; and

WHEREAS, volunteers enable public and private sector organizations to maintain a higher level of service delivery than would otherwise be possible during periods of economic stress; and

WHEREAS, incentives are needed to encourage volunteerism in the Commonwealth; and

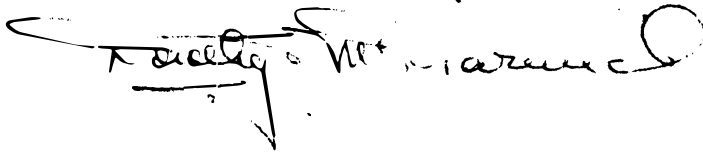
WHEREAS, the recognition of volunteer effort is an effective and inexpensive means for improving volunteer morale and performance; and

WHEREAS, it is likely that private funding could be obtained to underwrite the cost of a volunteer awards program; and

WHEREAS, the Division of Volunteerism's legislative mandate is to encourage and enhance volunteerism in the Commonwealth; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Virginia Division of Volunteerism institute a statewide volunteer awards program, to be funded by private contributions, to give recognition to volunteers throughout the Commonwealth.

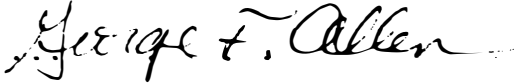
Respectfully submitted,



Delegate Dorothy S. McDiarmid, Chairman



Senator Elliot S. Schewel, Vice-Chairman



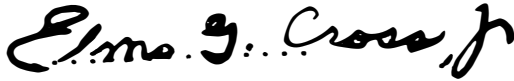
Delegate George F. Allen



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Senator Elmo G. Cross, Jr.



Delegate Henry W. Maxwell



Senator Richard L. Saslaw