



# COMMONWEALTH of VIRGINIA

## *Department of Taxation*

January 11, 2006

The Honorable John H. Chichester  
Chairman, Senate Finance Committee  
Post Office Box 904  
Fredericksburg, Virginia 22404

The Honorable Harry J. Parrish  
Chairman, House Finance Committee  
8898 Bond Court  
Manassas, Virginia 20110

Re: Voluntary Contributions – Amounts Collected for Three Previous Years

Dear Chairmen:

Pursuant to House Bill 2303, which was passed during the 2005 General Assembly Session, the Department is required to report to the Chairmen of the Senate and House Finance Committees the amounts collected for each voluntary contribution for the three most recent taxable years for which there is complete data. This report is also required to list which entities, if any, will be removed from the Virginia individual income tax return because they have failed to meet the \$10,000 per year requirement. Finally, the report must list which entities, if any, will be added to the income tax return in order to bring the total number of voluntary contributions to 25.

The following table summarizes the contributions added and deleted:

Changes to the tax form for 2005:

<b>Deleted</b>	<b>Added</b>
<ul style="list-style-type: none"><li>• University of Virginia Center for Government Studies</li><li>• George Mason Law and Economics Center</li><li>• Virginia Foundation for the Humanities and Public Policy Fund</li></ul>	<ul style="list-style-type: none"><li>• Office of Commonwealth Preparedness</li></ul>

Changes to be made to the tax form for 2006:

<u>Deleted</u>	<u>Added</u>
<ul style="list-style-type: none"><li>• 4-H Educational Centers</li><li>• Virginia Transplant Council</li></ul>	<ul style="list-style-type: none"><li>• Cancer Centers</li><li>• Brown v. Board of Education Scholarship Program Fund</li></ul>

Contribution enacted, but awaiting space on the return:

- Martin Luther King, Jr. Living History and Public Policy Center Fund

The enclosed document presents the report for 2005. Please let me know if you have any questions.

Sincerely,



Kenneth W. Thorson  
Tax Commissioner

Enclosure

Cc: The Honorable John M. Bennett

# Voluntary Contributions: Amounts Collected for 2002-2004

## Introduction

In 2004, the General Assembly enacted House Bill 1486, which limited the number of qualifying organizations to 25, and required that organizations receive at least \$10,000 in voluntary contributions annually for at least 3 consecutive years in order to continue to be included on the individual income tax return.

In 2005, the General Assembly clarified this requirement by passing House Bill 2303. This bill created a new process for limiting the voluntary contributions listed on the Virginia individual income tax return. As required by the 2004 legislation, the number of contributions is limited to 25, and all entities eligible to receive voluntary contributions must receive at least \$10,000 in each of the three previous taxable years for which there is complete data and for which the entity is listed on the individual income tax return. In addition, each new entity is required to be listed on the individual income tax return for three consecutive taxable years before the \$10,000 requirement is applied to it.

At the time that these changes were made, a survey of the other states that impose a broad-based income tax on individuals showed that Virginia, with 27 voluntary contributions, had by far the most voluntary contributions. The average number of voluntary contributions per state at that time was 6.

## Changes to the 2005 Income Tax Return

As the Department previously reported to the members of the General Assembly in the Fiscal Impact Statement for House Bill 2303, three voluntary contributions were removed from the 2005 individual income tax return because they did not receive \$10,000 per year for the last three taxable years. These were the contributions for the University of Virginia Center for Government Studies, the George Mason Law and Economics Center, and the Virginia Foundation for the Humanities and Public Policy Fund. These contributions had also been scheduled to expire in 2004 under the initial law that created them.

The removal of these voluntary contributions brought the total number of voluntary contributions down to 24. As a result, one new voluntary contribution was allowed to be added to the list for the 2005 income tax return. Under the provisions of House Bill 2303, the voluntary contribution that was added was for the Office of Commonwealth Preparedness.

## Amounts Collected for Each Voluntary Contribution

The chart below provides the amounts collected for each voluntary contribution listed on the Virginia individual income tax voluntary contributions for the three previous taxable years.

<b>Amount Collected for Voluntary Contributions - 2002-2004</b>							
<b>Program/Fund</b>	<b>First Return</b>	<b>2002 Return</b>		<b>2003 Return</b>		<b>2004 Return</b>	
		<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>
1. Virginia Nongame Wildlife Program	1981	6,542	158,685	6,224	151,215	5,795	142,694
2. Virginia Open Space Recreation and Conservation Fund	1988	2,987	63,080	2,828	62,108	2,530	57,120
3. Combined Political Party Contributions	1982	2,299	44,410	2,724	55,488	2,655	53,357
4. United States Olympic Committee	1988	1,325	22,402	1,413	26,821	1,209	22,369
5. Virginia Housing Program	1997	1,943	43,024	1,896	44,685	1,814	45,002
6. Virginia Family and Children's Trust Fund	1998	1,605	36,827	1,572	38,257	1,383	34,665
7. Virginia Elderly and Disabled Transportation Fund	1997	2,895	60,101	2,786	63,311	2,833	64,379
8. Community Policing Fund	1994	689	11,886	696	12,068	786	13,587
9. Virginia Arts Foundation	1997	1,392	26,813	1,358	27,161	1,146	21,267
10. Chesapeake Bay Restoration	1997	5,325	124,928	5,649	135,743	5,890	141,344
11. Historic Resources Fund	1998	933	16,525	887	15,731	744	13,360
12. Jamestown-Yorktown Foundation	2000	885	16,067	917	17,734	898	18,494
13. State Forests Systems Fund	1999	2,175	40,242	2,051	41,588	1,831	34,252
14. Uninsured Medical Catastrophe Fund	1999	1,336	30,297	1,148	27,269	1,118	24,879
15. Children of America Finding Hope	2001	905	17,162	959	19,746	1,031	22,684
16. 4-H Educational Centers (4H Camp)	2002	473	7,455	482	9,506	400	6,587
17. Public School Foundations	2002	1,033	27,836	1,033	56,521	1,319	35,276
18. Virginia Transplant Council	2002	411	6,664	392	7,418	335	5,928
19. Home Energy Assistance	2003			940	17,055	926	18,509
20. War Memorial & National D-Day Memorial	2003			968	18,383	745	14,078
21. Virginia Federation of Humane Societies	2004					850	16,027
22. Tuition Assistance Grant Fund	2004					598	11,350
23. Spay and Neuter Fund	2004					1,648	36,247
24. Commission for the Arts	2004					551	9,703
25. Office of Commonwealth Preparedness				Will be added to the 2005 income tax return			
<b>Total</b>		35,153	\$754,404	36,923	\$847,808	39,035	\$863,158

## Changes to the 2006 Income Tax Return

If the General Assembly takes no action, the voluntary contributions for the 4-H Educational Centers and the Virginia Transplant Council will be removed from the list on the 2006 individual income tax return. This will allow the voluntary contributions for the cancer centers in the Commonwealth and the Brown v. Board of Education Scholarship Program Fund to be added. If these voluntary contributions are added to

the list, the voluntary contribution for the Martin Luther King, Jr. Living History and Public Policy Center Fund will remain on the waiting list.

In addition to the voluntary contributions that will be removed from the 2006 income tax return, the data indicates that the contribution for the Commission for the Arts also failed to receive \$10,000 in its first year on the return. Under the provisions of House Bill 2303, however, each entity must appear on the income tax return for three consecutive taxable years before this test may be applied. As a result, this voluntary contribution will remain on the income tax return through 2007. In 2008, this contribution will be removed from the return even if it exceeds \$10,000 in one of the subsequent years because the statute requires that contributions exceed \$10,000 in each of the three consecutive years.

Please note, however, that there are two voluntary contributions currently supporting the Commission for the Arts. Since 1997, the Virginia Arts Foundation has been receiving voluntary contributions that must be used to assist the Virginia Arts Commission. Thus, when the voluntary contribution for the Commission for the Arts is eliminated in 2008, it is likely that a portion of the funds that would be donated to that entity will simply flow to the voluntary contribution available for the Virginia Arts Foundation.