



COMMONWEALTH of VIRGINIA

Department of Taxation

January 10, 2007

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

The Honorable Harry R. Purkey
Chairman, House Finance Committee
2352 Leeward Shore Drive
Virginia Beach, Virginia 23451

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 2006:

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



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Changes to be made to the tax form for **2007**:

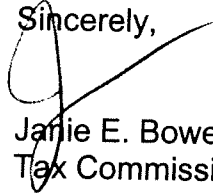
<u>Delete</u>	<u>Add</u>
• Commission for the Arts	• Martin Luther King, Jr. Living History and Public Policy Center Fund

Contribution enacted, but awaiting space on the return:

- Virginia Caregivers Grant Fund
- Virginia Military Family Relief Fund

The enclosed document presents the report for 2006. Please let me know if you have any questions.

Sincerely,



Janie E. Bowen
Tax Commissioner

Enclosure

Voluntary Contributions: Amounts Collected for 2003-2005

Introduction

In 2004, the General Assembly enacted House Bill 1486, which limited the number of organizations qualifying for a voluntary contributions 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 2006 Income Tax Return

Two voluntary contributions were removed from the 2006 individual income tax return. These were the contributions for the 4-H Educational Centers and the Virginia Transplant Council. The removal of these voluntary contributions brought the total number of voluntary contributions down to 23. As a result, two new voluntary contributions were allowed to be added to the list for the 2006 income tax return. Under the provisions of House Bill 2303, the voluntary contributions that were added were for the Cancer Centers in the Commonwealth and the Brown v. Board of Education Scholarship Program Fund.

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.

Amount Collected for Voluntary Contributions - 2003-2005							
Program/Fund	First Return	2003 Return		2004 Return		2005 Return	
		Number	Amount	Number	Amount	Number	Amount
1. Virginia Nongame Wildlife Program	1981	6,224	\$151,215	5,795	\$142,694	5,757	\$142,237
2. Virginia Open Space Recreation and Conservation Fund	1988	2,828	\$62,108	2,530	\$57,120	2,726	\$63,488
3. Combined Political Party Contributions	1982	2,724	\$55,488	2,655	\$53,357	2,691	\$55,298
4. United States Olympic Committee	1988	1,413	\$26,821	1,209	\$22,369	1,310	\$25,069
5. Virginia Housing Program	1997	1,896	\$44,685	1,814	\$45,002	1,901	\$45,729
6. Virginia Family and Children's Trust Fund	1998	1,572	\$38,257	1,383	\$34,665	1,434	\$36,251
7. Virginia Elderly and Disabled Transportation Fund	1997	2,786	\$63,311	2,833	\$64,379	3,067	\$71,018
8. Community Policing Fund	1994	696	\$12,068	786	\$13,587	820	\$16,270
9. Virginia Arts Foundation	1997	1,358	\$27,161	1,146	\$21,267	1,176	\$20,578
10. Chesapeake Bay Restoration	1997	5,649	\$135,743	5,890	\$141,344	6,034	\$150,589
11. Historic Resources Fund	1998	887	\$15,731	744	\$13,360	933	\$16,302
12. Jamestown-Yorktown Foundation	2000	917	\$17,734	898	\$18,494	1,022	\$21,977
13. State Forests Systems Fund	1999	2,051	\$41,588	1,831	\$34,252	2,036	\$37,533
14. Uninsured Medical Catastrophe Fund	1999	1,148	\$27,269	1,118	\$24,879	1,108	\$26,618
15. Children of America Finding Hope	2001	959	\$19,746	1,031	\$22,684	964	\$23,804
16. Public School Foundations	2002	1,033	\$56,521	1,319	\$35,276	1,443	\$41,736
17. Home Energy Assistance	2003	940	\$17,055	926	\$18,509	1,297	\$30,108
18. War Memorial & National D-Day Memorial	2003	968	\$18,383	745	\$14,078	759	\$14,828
19. Virginia Federation of Humane Societies	2004			850	\$16,027	1,077	\$23,720
20. Tuition Assistance Grant Fund	2004			598	\$11,350	685	\$13,090
21. Spay and Neuter Fund	2004			1,648	\$36,247	1,752	\$37,191
22. Commission for the Arts	2004			551	\$9,703	690	\$11,592
23. Office of Commonwealth Preparedness	2005					228	\$3,100
24. Cancer Centers				Was added to the 2006 income tax return			
25. Brown v. Board of Education Scholarship Program Fund				Was added to the 2006 income tax return			
Total		36,049	\$830,884	38,300	\$850,643	40,901	\$928,126

Changes to the 2007 Income Tax Return

If the General Assembly takes no action, the voluntary contribution for the Commission for the Arts will be removed from the list on the 2007 individual income tax return. The Commission for the Arts failed to receive \$10,000 in its first year on the return, 2004, even though it received more than \$10,000 in its second year on the return. Under the requirements of Va. Code § 58.1-344.3 A.1, an entity must receive at least \$10,000 in each of the three preceding years. In 2006 the Commission for the

Arts will have appeared on the return for three taxable years, as required by *Va. Code* § 58.1-344.3 A.3.b, but it will be impossible for it to satisfy the requirement in subdivision A.1. Therefore, the Commission for the Arts will be removed from the return after 2006.

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, 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.

The removal of the Commission for the Arts from the 2007 return will allow the voluntary contribution for the Martin Luther King, Jr. Living History and Public Policy Center Fund to be added. If this voluntary contribution is added, the voluntary contributions for the Virginia Caregivers Grant Fund and the Virginia Military Family Relief Fund will remain on the waiting list. It should be noted, however, that the statute that creates the Martin Luther King, Jr. Living History and Public Policy Center (§ 2.2-2725 et seq.) is scheduled to expire on July 1, 2007.

Changes to the 2008 Income Tax Return

In addition to the voluntary contribution that will be removed from the 2007 income tax return, the data indicates that the voluntary contribution for the Office of Commonwealth Preparedness failed to receive \$10,000 in its first year on the return. Because this voluntary contribution must remain on the return for three consecutive years, it will not be removed until 2008. It will be removed even if it exceeds \$10,000 in one of the two subsequent years because the statute requires that contributions exceed \$10,000 in each of the three consecutive years that it appears on the return.

The voluntary contribution for the Jamestown-Yorktown Foundation will also be removed from the individual income tax return in 2008. While this organization has not failed to receive \$10,000 in contributions, it is only authorized for taxable years beginning before January 1, 2008 under *Va. Code* § 58.1-344.3 C.3. Thus, it may only remain on the return through 2007.

Summary of Voluntary Contributions

Set out in the table below is a summary of all of the voluntary contributions that have been removed from or added to the individual income tax return or have appeared on the waiting list since the adoption of House Bill 2003 in 2005 (codified at § 58.1-344.3).

Summary of Voluntary Contributions

2005: Changes Reflected On Income Tax Returns For 2005

Program / Fund	Enacted	Action	Comments
University of Virginia Center for Government Studies	1999 ch. 948	<ul style="list-style-type: none"> Removed from 2005 return First appeared on 1999 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 11 Failed to receive \$10,000 in 2001, 2002 & 2003 Expired with 2004 return
George Mason Law and Economics Center	1999 ch. 948	<ul style="list-style-type: none"> Removed from 2005 return First appeared on 1999 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 12 Failed to receive \$10,000 in 2001, 2002 & 2003 Expired with 2004 return
Virginia Foundation for the Humanities and Public Policy Fund	1999 ch. 948	<ul style="list-style-type: none"> Removed from 2005 return First appeared on 1999 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 10 Failed to receive \$10,000 in 2001, 2002 & 2003 Expired with 2004 return
Office of Commonwealth Preparedness	2004 ch. 649	<ul style="list-style-type: none"> Added to 2005 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 21

2006: Changes Reflected On Income Tax Returns For 2006

Program / Fund	Enacted	Action	Comments
4-H Educational Centers (4H Camp)	2001 ch. 535	<ul style="list-style-type: none"> Removed from 2006 return First appeared on 2002 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 14 Failed to receive \$10,000 in 2002, 2003 & 2004
Virginia Transplant Council	2001 ch. 560	<ul style="list-style-type: none"> Removed from 2006 return First appeared on 2002 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 15 Failed to receive \$10,000 in 2002, 2003 & 2004
Cancer Centers	2004 ch. 649	<ul style="list-style-type: none"> Added to 2006 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 22
Brown v. Board of Education Scholarship Program Fund	2005 ch. 803, 860	<ul style="list-style-type: none"> Added to 2006 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 23

2007: Changes To Be Reflected On Income Tax Returns For 2007

Program / Fund	Enacted	Action	Comments
Commission for the Arts	2003 ch. 878	<ul style="list-style-type: none"> To Be Removed From 2007 Return First appeared on 2004 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 20 Failed to receive \$10,000 in 2004 Commission also receives contributions via checkoff for Virginia Arts Foundation
Martin Luther King, Jr. Living History and Public Policy Center Fund	2005 ch. 803, 860	<ul style="list-style-type: none"> To Be Added To 2007 Return 	<ul style="list-style-type: none"> § 58.1-344.3 B 24 Assumes one entity removed from return in 2007

Summary of Voluntary Contributions

2008: Preliminary Estimate Of Changes To Be Reflected On Income Tax Returns For 2008

Program / Fund	Enacted	Action	Comments
Office of Commonwealth Preparedness	2004 ch. 649	<ul style="list-style-type: none"> • To Be Removed From 2008 Return • First appeared on 2005 return 	<ul style="list-style-type: none"> • § 58.1-344.3 B 21 • Failed to receive \$10,000 in 2005
Jamestown-Yorktown Foundation	1999 ch. 210	<ul style="list-style-type: none"> • To Be Removed From 2008 Return • First appeared on 2000 return 	<ul style="list-style-type: none"> • § 58.1-344.3 C 3 • Authorized for taxable years beginning before January 1, 2008
Virginia Caregivers Grant Fund	2005 ch. 803, 860	<ul style="list-style-type: none"> • To Be Added to 2008 Return 	<ul style="list-style-type: none"> • § 58.1-344.3 B 25 • Assumes one entity removed from return in 2008
Virginia Military Family Relief Fund	2006 ch. 103, 479	<ul style="list-style-type: none"> • To Be Added to 2008 Return 	<ul style="list-style-type: none"> • § 58.1-344.3 C 8 • Assumes one entity removed from return in 2008