



COMMONWEALTH of VIRGINIA

Department of Taxation

January 13, 2016

The Honorable Emmett W. Hanger, Jr.
Co-Chairman, Senate Finance Committee
General Assembly Building, Room 326
Capitol Square
Richmond, Virginia 23219

The Honorable Thomas K. Norment, Jr.
Co-Chairman, Senate Finance Committee
General Assembly Building, Room 626
Capitol Square
Richmond, Virginia 23219

The Honorable R. Lee Ware, Jr.
Chairman, House Finance Committee
General Assembly Building, Room 421
Capitol Square
Richmond, Virginia 23219

Dear Chairman Hanger, Chairman Norment and Chairman Ware:

Pursuant to Va. Code § 58.1-344.3, the Department of Taxation ("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 minimum contribution 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.

If the General Assembly takes no action, nine organizations will be removed from the list of voluntary contributions on the 2016 individual income tax return:

- United States Olympic Committee,
- Community Policing Fund,
- Historic Resources Fund,

- Uninsured Medical Catastrophe Fund,
- Children of America Finding Hope,
- War Memorial & National D-Day Memorial,
- Tuition Assistance Grant Fund,
- Martin Luther King, Jr. Living History and Public Policy Center Fund, and;
- Celebrating Special Children, Inc.

We conducted additional analysis to try to identify any factors that could account for the number of organizations falling below the \$10,000 contribution threshold. We believe that the large number of organizations that will be required to be removed based on this year's results is related to the inclusion of the Virginia College Savings Plan as an option available to taxpayers for designating all or a portion of their refunds.

In 2013, the General Assembly enacted House Bill 2145 (2013 *Acts of Assembly*, Chapter 28) and Senate Bill 1220 (2013 *Acts of Assembly*, Chapter 402), which became effective January 1, 2014. This legislation allowed an individual to designate that his individual income tax refund, or a portion thereof, be deposited into one or more Virginia College Savings Plan accounts. While the overall amount of refund contributions have increased, voluntary contributions to nonprofit organizations decreased significantly for Tax Year 2014. This shift is most likely due to taxpayers allocating their refunds to Virginia College Savings Plan accounts instead of nonprofit organizations.

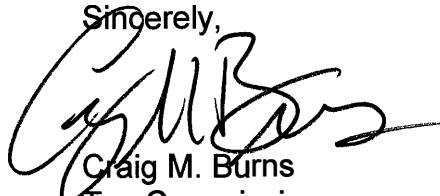
If the above organizations are removed from the 2016 return, the following organizations, will be added to the 2016 individual income tax return:

- Medicare Part D Counseling Fund,
- Community foundations,
- Virginia Foundation for Community College Education,
- Middle Peninsula Chesapeake Bay Public Access Authority,
- Breast and Cervical Cancer Prevention and Treatment Fund,
- Virginia Aquarium and Marine Science Center,
- Virginia Capitol Preservation Foundation,
- Office of the Secretary of Veterans Affairs and Homeland Security, and
- Federation of Virginia Food Banks.

The Honorable Emmett W. Hanger, Jr.
The Honorable Thomas K. Norment, Jr.
The Honorable R. Lee Ware, Jr.
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The enclosed document presents the report for 2015. Please contact me if you have any questions.

Sincerely,



Craig M. Burns
Tax Commissioner

CMB/cwm

Enclosure

CC: The Honorable Richard D. Brown, Secretary of Finance

Voluntary Contributions: Amounts Collected for 2012-2014

Introduction

In 2004, the General Assembly enacted House Bill 1486 (2004 *Acts of Assembly*, Chapter 649), which limited the number of organizations qualifying for voluntary contributions to 25, and required that organizations receive at least \$10,000 in voluntary contributions annually for at least three 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 (2005 *Acts of Assembly*, Chapter 860). 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 six.

Generally, taxpayers are given the option to receive their income tax refunds through direct deposit into their bank accounts, paper checks, or debit cards (in 2012, 2013, and 2014). Effective for Taxable Year 2015 returns, taxpayers will no longer have the option of receiving their income tax refunds on debit cards (House Bill 1286, 2015 *Acts of Assembly*, Chapter 229 and Senate Bill 701, 2015 *Acts of Assembly*, Chapter 76).

Impact of Virginia 529 Contributions

In 2013, the General Assembly enacted House Bill 2145 and Senate Bill 1220, which became effective January 1, 2014. This legislation allowed an individual to designate that his individual income tax refund, or a portion thereof, be deposited into one or more Virginia College Savings Plan ("Virginia 529") accounts. The Department believes that the decrease in contributions to nonprofit organizations and the large number of organizations that will be required to be removed based on this year's results is most likely due to taxpayers allocating their refunds to Virginia College Savings Plan accounts instead of nonprofit organizations.

The following table indicates that the total amount of all contributions has remained relatively stable for the last three years.

	Voluntary Contributions to Nonprofits		VA 529 Contributions		Total Contributions
	Amount of Contributions	Number of Returns	Amount of Contributions	Number of Returns	
Taxable Year 2010	\$1,046,281.00	42,250	N/A	N/A	\$1,046,281.00
Taxable Year 2011	\$959,849.00	40,836	N/A	N/A	\$959,849.00
Taxable Year 2012	\$872,682.00	37,247	N/A	N/A	\$872,682.00
Taxable Year 2013	\$802,844.00	33,445	N/A	N/A	\$802,844.00
Taxable Year 2014	\$398,702.00	14,589	\$452,076.81	775	\$850,778.81

In contrast, the following table shows that from 2013 to 2014, the number of contributors to nonprofit organizations decreased by 56 percent and the total amount contributed to nonprofit organizations decreased by 50 percent. The impact on the amount contributed to individual nonprofit organizations varies from as much as 65 percent to as little as 23 percent. No nonprofit organization received more contributions in 2014 than it received in 2013. It appears that the inclusion of the Virginia 529 Plan as a refund option has negatively impacted the number and amount of contributions to nonprofit organizations.

Amounts Collected for Each Voluntary Contribution

The chart below provides each voluntary contribution that will be listed on the 2015 Virginia individual income tax return and the amount contributed to each in the three previous taxable years.

Amount Collected for Voluntary Contributions: 2012-2014								
Program/Fund	First Return	2012 Return		2013 Return		2014 Return		
		Number	Amount	Number	Amount	Number	Amount	% Change
1. Virginia Nongame Wildlife Program	1981	4,117	\$100,738	3,820	\$99,824	1,413	\$40,206	-60%
2. Virginia Open Space Recreation and Conservation Fund	1988	1,892	\$44,758	1,705	\$40,864	782	\$21,636	-47%
3. Combined Political Party Contributions	1982	2,498	\$51,494	1,998	\$41,203	699	\$14,484	-65%
4. United States Olympic Committee	1988	916	\$23,174	931	\$20,836	322	\$9,827	-53%
5. Virginia Housing Program	1997	1,616	\$41,438	1,544	\$37,795	513	\$14,738	-61%
6. Virginia Family and Children's Trust Fund	1998	1,033	\$32,726	813	\$28,020	392	\$10,614	-62%
7. Virginia Elderly and Disabled Transportation Fund	1997	2,879	\$69,214	1,891	\$44,705	732	\$20,205	-55%
8. Community Policing Fund	1994	635	\$10,049	539	\$10,105	225	\$4,124	-59%
9. Virginia Arts Foundation	1997	1,409	\$27,983	1,293	\$24,548	549	\$12,726	-48%
10. Chesapeake Bay Restoration	1997	3,448	\$89,292	3,245	\$86,876	1,464	\$41,805	-52%
11. Historic Resources Fund	1998	902	\$17,664	775	\$13,348	312	\$6,894	-48%
12. State Forests Systems Fund	1999	1,386	\$27,470	1,402	\$27,334	724	\$15,925	-42%
13. Uninsured Medical Catastrophe Fund	1999	812	\$15,609	676	\$13,520	378	\$8,591	-36%
14. Children of America Finding Hope	2001	808	\$18,962	737	\$17,420	337	\$8,033	-54%
15. Public School Foundations	2002	1,036	\$36,374	940	\$31,448	552	\$20,833	-34%
16. Home Energy Assistance	2003	1,210	\$25,332	910	\$20,185	445	\$10,245	-49%
17. War Memorial & National D-Day Memorial	2003	747	\$14,852	647	\$13,040	272	\$7,791	-40%
18. Virginia Federation of Humane Societies	2004	1,296	\$28,219	1,195	\$27,800	560	\$14,399	-48%
19. Tuition Assistance Grant Fund	2004	804	\$15,710	797	\$16,484	325	\$7,529	-54%
20. Spay and Neuter Fund	2004	1,903	\$42,772	1,823	\$42,138	796	\$22,380	-47%
21. Cancer Centers	2006	1,381	\$33,187	1,332	\$33,457	591	\$20,052	-40%
22. Martin Luther King, Jr. Living History and Public Policy Center Fund	2007	626	\$10,454	575	\$10,800	227	\$4,956	-54%
23. Virginia Military Family Relief Fund	2008	1,922	\$49,426	1,821	\$46,939	783	\$26,596	-43%
24. Public libraries foundations	2009	1,007	\$28,390	1,027	\$32,169	808	\$24,616	-23%
25. Celebrating Special Children, Inc.	2009	964	\$17,398	1,009	\$21,948	388	\$9,497	-57%
Total		37,247	\$872,682	33,445	\$802,844	14,589	\$398,702	-50%

Changes to the 2016 Income Tax Return

If the General Assembly takes no action, the voluntary contributions for the:

- United States Olympic Committee,
- Community Policing Fund,
- Historic Resources Fund,
- Uninsured Medical Catastrophe Fund,
- Children of America Finding Hope,
- War Memorial & National D-Day Memorial,
- Tuition Assistance Grant Fund,
- Martin Luther King, Jr. Living History and Public Policy Center Fund, and
- Celebrating Special Children, Inc.

will be removed from the list on the 2016 individual income tax return.

This will allow the voluntary contributions for the:

- Medicare Part D Counseling Fund,
- Community Foundations,
- the Virginia Foundation for Community College Education,
- the Middle Peninsula Chesapeake Bay Public Access Authority,
- the Breast and Cervical Cancer Prevention and Treatment Fund,
- the Virginia Aquarium and Marine Science Center,
- the Virginia Capitol Preservation Foundation,
- the Office of the Secretary of Veterans Affairs, and Homeland Security and;
- the Federation of Virginia Food Banks

to be added.

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 since the adoption of House Bill 2303 in 2005 (codified at *Va. Code* § 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

Summary of Voluntary Contributions			
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. 860, 889	<ul style="list-style-type: none"> Added to 2006 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 23
2007: Changes 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"> 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. 860, 889	<ul style="list-style-type: none"> Added to 2007 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 24
2008: Changes 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"> 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 and 2006
Jamestown-Yorktown Foundation	1999 ch. 210	<ul style="list-style-type: none"> 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. 860, 889	<ul style="list-style-type: none"> Added to 2008 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 25
Virginia Military Family Relief Fund	2006 ch. 103, 479	<ul style="list-style-type: none"> Added to 2008 return 	<ul style="list-style-type: none"> § 58.1-344.3 C 8
2009: Changes Reflected on Income Tax Returns for 2009			
Program / Fund	Enacted	Action	Comments
Brown v. Board of Education Scholarship Program Fund	2005 ch. 860, 889	<ul style="list-style-type: none"> Removed from 2009 return First appeared on 2006 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 23 Failed to receive \$10,000 in 2006, 2007 and 2008

Summary of Voluntary Contributions			
Virginia Caregivers Grant Fund	2005 ch. 860, 889	<ul style="list-style-type: none"> Removed from 2009 return First appeared on 2008 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 25 Program not funded in FY 2009 Removed at suggestion by DSS
Public library foundations	2007 ch. 70	<ul style="list-style-type: none"> Added to 2009 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 26
Celebrating Special Children, Inc.	2007 ch. 70	<ul style="list-style-type: none"> Added to 2009 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 27
2010: No Changes Made to Income Tax Returns for 2010			
2011: No Changes Made to Income Tax Returns for 2011			
2012: No Changes Made to Income Tax Returns for 2012			
2013: No Changes Made to Income Tax Returns for 2013			
2014: No Changes Made to Income Tax Returns for 2014			
2015: No Changes Made to Income Tax Returns for 2015			
2016: Changes Reflected on Income Tax Returns for 2016			
Program / Fund	Enacted	Action	Comments
United States Olympic Committee	2005 ch. 860, 889	<ul style="list-style-type: none"> Removed from 2016 return First appeared on 2005 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 3 Failed to receive \$10,000 in 2014
Community Policing Fund	2005 ch. 860, 889	<ul style="list-style-type: none"> Removed from 2016 return First appeared on 2005 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 7 Failed to receive \$10,000 in 2014
Historic Resources Fund	2005 ch. 860, 889	<ul style="list-style-type: none"> Removed from 2016 return Added to 2005 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 9 Failed to receive \$10,000 in 2014
Uninsured Medical Catastrophe Fund	2005 ch. 860, 889	<ul style="list-style-type: none"> Removed from 2016 return Added to 2005 return 	<ul style="list-style-type: none"> § 58.1-344.3 C 5 Failed to receive \$10,000 in 2014
Children of America Finding Hope	2005 ch. 860, 889	<ul style="list-style-type: none"> Removed from 2016 return First appeared on 2005 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 13 Failed to receive \$10,000 in 2014
War Memorial & National D-Day Memorial	2005 ch. 860, 889	<ul style="list-style-type: none"> Removed from 2016 return First appeared on 2005 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 16 Failed to receive \$10,000 in 2014
Tuition Assistance Grant Fund	2005 ch. 860, 889	<ul style="list-style-type: none"> Removed from 2016 return First appeared on 2005 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 18 Failed to receive \$10,000 in 2014

Summary of Voluntary Contributions			
Martin Luther King, Jr. Living History and Public Policy Center Fund	2005 ch. 889	<ul style="list-style-type: none"> Removed from 2016 return First appeared on 2005 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 24 Failed to receive \$10,000 in 2014
Celebrating Special Children, Inc.	2006 ch. 70	<ul style="list-style-type: none"> Removed from 2016 return First appeared on 2007 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 27 Failed to receive \$10,000 in 2014
Medicare Part D Counseling Fund	2007 ch. 601	<ul style="list-style-type: none"> Added to 2016 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 26 a
Community Foundations	2008 ch. 313, 461	<ul style="list-style-type: none"> Added to 2016 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 29
Virginia Foundation for Community College Education	2008 ch. 313	<ul style="list-style-type: none"> Added to 2016 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 29
Middle Peninsula Chesapeake Bay Public Access Authority	2009 ch. 4	<ul style="list-style-type: none"> Added to 2016 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 31
Breast and Cervical Cancer Prevention and Treatment Fund	2009 ch. 26, 521	<ul style="list-style-type: none"> Added to 2016 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 31
Virginia Aquarium and Marine Science Center	2009 ch. 41	<ul style="list-style-type: none"> Added to 2016 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 31
Virginia Capitol Preservation Foundation	2010 ch. 690	<ul style="list-style-type: none"> Added to 2016 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 34
Office of the Secretary of Veterans Affairs and Homeland Security	2011 ch. 780, 858	<ul style="list-style-type: none"> Added to 2016 return 	<ul style="list-style-type: none"> § 58.1-344.3 B 35
Federation of Virginia Food Banks	2015 ch. 70	<ul style="list-style-type: none"> Added to 2016 return 	<ul style="list-style-type: none"> § 58.1-344.3 C 9