Fiscal Note

BILL # SB 1216

TITLE: charitable donations; tax credit amounts

SPONSOR: Yarbrough

STATUS: As Introduced

PREPARED BY: Ben Beutler

Description

The bill increases the maximum general qualifying charitable organizations tax credit (QCO) from $200 to $400 for individuals and from $400 to $800 for joint returns.

Estimated Impact

The bill is expected to reduce state General Fund revenue by $(2.8) million annually, starting in FY 2017.

The Arizona Department of Revenue (DOR) does not have a cost estimate.

Analysis

To qualify for credit-eligible QCO contributions, the charity must be either a tax-exempt 501(c)(3) charitable organization or a designated community action agency that receives community services block grant monies. Additionally, the organization is required to spend at least 50% of its budget on services to Arizona residents who are either: (1) Temporary Assistance for Needy Families (TANF) benefit recipients, (2) low income persons, or (3) chronically ill or disabled children. Currently, the maximum general QCO tax credit is $200 for individuals and $400 for joint returns. The bill doubles those limits to $400 for individuals and $800 for joint returns.

In 2014, 105,539 taxpayers claimed this credit, reducing General Fund revenue by $(28.2) million. Of the taxpayers who currently utilize the credit, only 8.8%, or 9,287 taxpayers, donated the maximum amounts. We assume that they are split evenly between individual and joint returns. If each of these 9,287 taxpayers increase their credit contribution to reach the new maximum, General Fund revenue would decline by $(2.8) million.

Local Government Impact

Each year, incorporated cities and towns receive 15% of income tax collections from 2 years prior. The bill would reduce local government distribution by $(417,900) beginning in FY 2019.

2/5/16