

DEPARTMENT OF TAXATION

2001 Fiscal Impact Statement

1. **Patron** Ruff

2. **Bill Number** SB 1112

3. **Committee** Senate Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Corporate Income Tax: Extend the Sunset
Date for the Purchase of Machinery and
Equipment to Process Recyclable
Materials Credit

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would extend the sunset provisions for the individual and corporate income tax credits for the purchase of machinery and equipment used for processing recyclable materials from January 1, 2001 to January 1, 2006.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Preliminary (See Line 8.)

6b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2000-01	\$0	GF
2001-02	<\$0.4 million>	GF
2002-03	<\$0.4 million>	GF

7. **Budget amendment necessary:** Yes.

ITEM(S): Line 1, Revenue Estimates

8. **Fiscal implications:**

The department would incur minimal costs to implement this bill.

Approximately \$400,000 in credits for the purchase of machinery and equipment for processing recyclable materials was claimed for taxable year 1999. It is estimated that General Fund revenues would be reduced by this amount beginning in Fiscal Year 2002 by extending this credit.

9. **Specific agency or political subdivisions affected:**

10. Technical amendment necessary: None.

11. Other comments:

Generally

The recycling tax credit allows individuals and corporations an income tax credit equal to 10% of the purchase price paid for machinery and equipment used to process recycled materials for sale. The total credit allowed cannot exceed 40% of the taxpayer's Virginia income tax liability in the taxable year of purchase. The Department of Environmental Quality must certify that the machinery and equipment is integral to the recycling process before the taxpayer is entitled to claim the credit.

Sunset Provision

This bill would extend the sunset provision of the tax credit for purchases of machinery and equipment used for processing recyclable equipment. Under current law, the credits are not available for taxable years beginning or after January 1, 2001. This bill would extend the credit through the 2005 taxable year.

cc: Secretary of Finance

Date: 1/21/01/initials

Document: \\TAXOFFICE\LEGISDIR\2001leg\WorkInProgress\OTPwork\Senate Bills\SB1112F161.doc