

# DEPARTMENT OF TAXATION

## 2002 Fiscal Impact Statement

1. **Patron** Carrico

3. **Committee** House Finance

4. **Title** Income Tax: Major Business Facility Job  
Tax Credit

2. **Bill Number** HB 219

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would reduce the number of qualified full-time jobs required to qualify for the Major Business Facility Job Tax Credit from 100 to 50.

The effective date of this bill is not specified.

**6. Fiscal Impact Estimates are:** Not Available. (See Line 8.)

**7. Budget amendment necessary:** No

**8. Fiscal implications:**

The department would incur minimal administrative costs to implement this bill.

The impact of this bill on General Fund revenues is unknown. Because this bill would reduce the threshold for qualifying for the Major Business Facility Job Tax Credit, more companies could qualify for this credit and/or companies may qualify for larger credits. It is not possible to predict job creation that would qualify for the credit under this proposal. However, the negative revenue effect is not expected to exceed \$500,000.

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

Virginia Economic Development Partnership  
Department of Business Assistance  
Department of Taxation

**10. Technical amendment necessary: Yes.**

If the intent of this legislation is to eliminate the alternative job threshold for economically distressed areas and enterprise zones, the following technical amendments are suggested:

Page 1, Line 23, After 1.

Strike: Subject to the provisions of subsection K, the  
Insert: The

Page 2, Line 93 , After J.

Strike: Subject to the provisions of subsection K, recapture  
Insert: Recapture

Page 2, Line 106, At the beginning of the line

Strike: lines 106 through 112

Page 3, Line 113, At the beginning of the line

Strike: L.  
Insert: K.

Page 3, Line 117, After subsection

Strike: R  
Insert: Q

Page 3, Line 118, At the beginning of the line

Strike: M.  
Insert: L.

Page 3, Line 124, At the beginning of the line

Strike: N.  
Insert: M.

Page 3, Line 126, At the beginning of the line

Strike: O.  
Insert: N.

Page 3, Line 128, At the beginning of the line

Strike: P.  
Insert: O.

Page 3, Line 130, At the beginning of the line

Strike: Q.  
Insert: P.

Page 3, Line 130, After subsection

Strike: N  
Insert: M

Page 3, Line 138, At the beginning of the line  
Strike: R.  
Insert: Q.

Page 3, Line 145, At the beginning of the line  
Strike: S.  
Insert: R.

This bill does not specify an effective date. The following technical amendment is suggested to ensure that the credit is effective for the 2003 taxable year.

Page 3, Line 151 At the end of the line

Insert: 2. That the provisions of this act shall be effective for taxable years beginning on and after January 1, 2003.

## **11. Other comments:**

### **Generally**

The Major Business Facility Job Tax Credit provides a tax credit for businesses that create over 100 new, permanent jobs for qualified full-time employees. The 100-job threshold is reduced to 50 in instances where a business is located in a state designated enterprise zone or an economically distressed area. To be an economically distressed area, a city or county must have an unemployment rate at least 0.5% higher than the state unemployment rate.

The credit is equal to \$1,000 for each qualifying new job in excess of a 100-job threshold, and is allowed ratably over a three-year period with the first third of the credit claimed in the credit year.

## **Proposed Legislation**

This bill would reduce the threshold required to qualify for the Major Business Facility Job Tax Credit from 100 new qualified full-time jobs to 50.

Under this bill, the difference between the job threshold required for economically distressed areas, enterprise zones, and other localities in the Commonwealth would be eliminated. As a result, the need for the Virginia Economic Development Partnership to identify and publish a list of economically distressed areas would essentially be eliminated. The department has recommended amendments to eliminate the alternative threshold for economically distressed areas.

## **Other Legislation**

**House Bill 94** would reduce the number of qualified full-time jobs required in order to qualify for the Major Business Facility Job Tax Credit from 100 to 50. In economically distressed areas or enterprise zones, the threshold would be reduced from 50 to 25. The bill would also repeal the sunset date for the Major Business Facility Job Tax Credit.

**House Bill 684** would reduce the number of qualified full-time jobs required in order to qualify for the Major Business Facility Job Tax Credit from 100 to 50. In economically distressed areas or enterprise zones, the threshold would be reduced from 50 to 25. In addition, a separate threshold of 20 qualified full-time jobs would be established for information technology service businesses located within an urban area designated by local ordinance as an area needing revitalization.

**House Bill 685** would reduce the number of qualified full-time jobs required in order to qualify for the Major Business Facility Job Tax Credit from 100 to 50. In economically distressed areas or enterprise zones, the threshold would be reduced from 50 to 25. In addition, a separate threshold of 20 qualified full-time jobs would be established for information technology service businesses.

**Senate Bill 339** would create a tiered system of tax credits for businesses that create new jobs, provide training or retraining to employees, or capital investments in economically distressed localities.

cc: Secretary of Finance

Date: 01/15/02/dtm

Document: S:\2002leg\WorkInProgress\OTPwork\House Bills\HB0219F161.doc