

DEPARTMENT OF TAXATION

2004 Fiscal Impact Statement

1. **Patron** Jeffrey M. Frederick

3. **Committee** House Finance

4. **Title** Income Tax: Teleworking Tax Credit

2. **Bill Number** HB 1164

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would create a tax credit for qualified employers equal to 75% of the eligible costs of the initial setup to enable employees to telecommute five or more days per workweek. The credit would be limited to \$1,000 per employee for employers located in a region of the Commonwealth that has not met federal pollution limits.

This bill would be effective for taxable years beginning on and after January 1, 2005.

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

6a. **Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2003-04	\$0	GF
2004-05	\$54,400	GF
2005-06	\$256,700	GF
2006-07	\$9,322	GF
2007-08	\$9,601	GF
2008-09	\$9,889	GF
2009-10	\$10,186	GF

6b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2003-04	\$0	GF
2004-05	<\$1.5 million>	GF
2005-06	<\$1.7 million>	GF
2006-07	<\$2.0 million>	GF
2007-08	<\$2.3 million>	GF
2008-09	<\$2.6 million>	GF
2009-10	<\$3.1 million>	GF

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

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8. Fiscal implications:

Administrative Costs

The Department would incur administrative costs of \$54,400 in Fiscal Year 2005, \$256,700 in Fiscal Year 2006, \$9,322 in Fiscal Year 2007, \$9,601 in Fiscal Year 2008, \$9,889 in Fiscal Year 2009, and \$10,186 in Fiscal Year 2010 for systems development and forms revision.

Revenue Estimate

This bill would reduce General Fund revenues by an estimated \$1.5 million for Fiscal Year 2005, \$1.7 million for Fiscal Year 2006, \$2 million for Fiscal Year 2007, \$2.3 million for Fiscal Year 2008, \$2.6 million for Fiscal Year 2009, and \$3.1 million for Fiscal Year 2010. The estimate for Fiscal Year 2005 assumes that qualified employers are able to adjust their estimated income tax payments to reflect the credit proposed by this bill.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Transportation
Secretary of Technology

10. Technical amendment necessary: None.

11. Other comments:

This bill would create a tax credit against the corporate, individual, and fiduciary income tax, the bank franchise tax, the license tax on insurance companies, and the license tax on public service corporations. The allowable credit would be equal to 75% of eligible costs that a qualified employer incurs for the initial setup to enable employees to telecommute five or more days per workweek. Guidelines for a scaled credit will be established for employees who telecommute less than five days per workweek.

The credit would be limited to \$1,000 per eligible employee. The credit would not apply to employees whose job function requires that the majority of their duties be performed outside of the workplace.

"Eligible costs" would include expenditures for equipment, telecommunications services, and any other reasonable costs that enable an employee to telework.

A "qualified employer" would be any employer in any region of Virginia that has not attained federal air pollution limits as of January 1, 2004. According to the Department of Environmental Quality, the Northern Virginia Metropolitan Statistical Area was the only region in Virginia that was in violation of federal ozone standards as of January 1,

2004. This would include the counties of Arlington, Clark, Culpeper, Fairfax, Fauquier, King George, Loudoun, Prince William, Spotsylvania, Stafford, and Warren; and the cities of Alexandria, Fairfax, Falls Church, Fredericksburg, Manassas, and Manassas Park.

"Telecommuting" would be defined as enabling an employee to perform job functions normally executed in the workplace from either the employee's residence or a telecommuting center.

The Department of Transportation, in consultation with the Tax Commissioner and the Secretary of Technology would promulgate guidelines that further define eligible costs, initial setup, telecommuting locations, and job functions. In addition, the Department of Transportation would be required certify to the Department of Taxation that the employer is a "qualified employer" before such employer could claim the credit.

cc : Secretary of Finance

Date: 2/2/2004 dtm