

**DEPARTMENT OF TAXATION
2004 Fiscal Impact Statement**

1. Patron Charles W. Carrico, Sr.

3. Committee House Finance

4. Title Major Business Facility Job Tax Credit

2. Bill Number HB 615

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would reduce the threshold amount of qualified full-time jobs for qualifying for the major business facility job tax credit from 100 to 50. In enterprise zones or economically distressed areas, the threshold would be reduced from 50 to 25.

The bill does not specify an effective date.

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

7. Budget amendment necessary:

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 \$700,000 in the first year, and \$2 million in the third and subsequent years.

9. Specific agency or political subdivisions affected:

Virginia Economic Development Partnership
Department of Business Assistance
Department of Taxation

10. Technical amendment necessary: Yes.

This bill does not specify an effective date. The following technical amendment is suggested to ensure that the credit is effective for the 2005 taxable year.

Page 3, Line 149, 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, 2005.

11. Other comments:

Current Law

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 when 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 \$1,000 for each qualifying job in excess of the applicable threshold (100 or 50 jobs), and is allowed ratably over a three-year period, with the first third of the credit claimed in the credit year. Currently, the credit is effective for taxable years that begin before January 1, 2005.

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. The threshold for businesses located in an enterprise zone or economically distressed area would be reduced from 50 new qualified full time jobs to 25.

Other Legislation

Senate Bill 231 would extend the sunset date of the major business facility job tax credit from January 1, 2005, until January 1, 2015.

cc : Secretary of Finance

Date: 1/27/2004 JPJ