

**DEPARTMENT OF TAXATION
2004 Fiscal Impact Statement**

1. Patron Charles W. Carrico, Sr.

2. Bill Number HB 615

3. Committee Senate Finance

House of Origin:

 Introduced

 Substitute

 Engrossed

4. Title Major Business Facility Job Tax Credit

Second House:

 X **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 25 in severely economically distressed areas.

The bill would be effective for taxable years beginning on or after January 1, 2004.

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.

9. Specific agency or political subdivisions affected:

Virginia Economic Development Partnership
Department of Business Assistance
Department of Taxation

10. Technical amendment necessary: No.

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 25 when the facility is located in a severely economically distressed area. A severely economically distressed area is one in which the unemployment rate for the preceding year is at least twice the statewide average unemployment rate.

According to published data from the Virginia Employment Commission, for 2002 (the most recent year available), the statewide unemployment rate was 4.1 percent. Under the proposed bill, the following localities would qualify as "severely economically distressed" because their unemployment rate was at least 8.2% in 2002: three cities (Danville, Galax, and Martinsville) and nine counties (Appomattox, Carroll, Dickenson, Grayson, Halifax, Henry, Mecklenburg, Patrick, and Smyth).

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, 2010.

cc : Secretary of Finance

Date: 2/16/2004 JPJ