

DEPARTMENT OF TAXATION

2004 Fiscal Impact Statement

1. **Patron** Benjamin J. Lambert III

2. **Bill Number** SB 231

3. **Committee** Passed Senate and House

House of Origin:

 Introduced

 Substitute

 Engrossed

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

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. Summary/Purpose:

This bill would extend the sunset date for the Major Business Facility Job Tax Credit from January 1, 2005, to January 1, 2010.

This is a Commerce and Trade bill.

This bill does not specify an effective date.

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.

This bill would have no effect on General Fund revenue as continuation of this credit was assumed in the Budget. The December 31, 2003 report to the General Assembly found \$8.9 million of major business facility job tax credits claimed by 46 taxpayers. If this credit were allowed to expire a significant revenue increase would be expected over the next three years as existing credits run their course.

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:

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 0.55 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. Currently, the credit is effective until January 1, 2005.

Proposed Legislation

This bill would extend the sunset date for the Major Business Facility Job Tax Credit from January 1, 2005, to January 1, 2010.

Other Legislation

House Bill 615 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. A severely economically distressed area is defined as a city or county in which the unemployment rate for the preceding year was twice the statewide average.

cc : Secretary of Finance

Date: 3/15/2004 JPJ