

DEPARTMENT OF TAXATION

2005 Fiscal Impact Statement

1. **Patron** Lacey E. Putney

2. **Bill Number** HB 1744

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Income tax credit; purchase of machinery and equipment for processing recyclable Materials

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would extend the carryover period for individual and corporate income tax credit for purchase of machinery and equipment for processing recyclable materials from 10 years to 20 years. The bill also revives the individual income tax credit that expired on January 1, 2004 and extends the carryover period to 20 years from the date that the individual was first allowed to take the credit.

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

Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2004-05	\$0	GF
2005-06	(\$183,720)	GF
2006-07	(\$143,430)	GF
2007-08	(\$177,660)	GF
2008-09	(\$236,880)	GF
2009-10	(\$296,100)	GF
2010-11	(\$355,320)	GF

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

ITEM(S): Page 1, Revenue Estimates

8. **Fiscal implications:**

The Department would decrease General Fund revenue by \$183,720 in FY 2006, \$143,430 in FY 2007, \$177,660 in FY 2008, \$236,880 in FY 2009, \$296,100 in FY 2010, and \$355,320 in FY 2011.

The Department would not incur administrative costs in implementing this bill because the programming remains in its system. It was not removed when the credit expired because carryovers continued to be claimed.

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

10. Technical amendment necessary: None.

11. Other comments:

Current Law

The credit for recyclable materials processing equipment is an income tax credit that is claimed for purchases made during the taxable year for machinery and equipment used exclusively in or on the premises of manufacturing facilities or plant units that manufacture, process, compound or produce items of tangible personal property from recyclable materials within the Commonwealth for sale. The credit is 10% of the qualifying expenditures and cannot exceed 40% of the Virginia income tax liability for the year, computed prior to computing the credit.

Corporations earning credit for recyclable materials processing equipment may claim the credit for the taxable year in which the qualifying purchase was made. Unused credit may be carried over for the next 10 succeeding taxable years from the date that the credit was first allowable, until the total credit is used.

The credit for individuals expired in 2003. Individuals having unused credit for recyclable materials processing equipment from a qualifying year will continue to carry unused credits forward for the next 10 succeeding taxable years from the date that the credit was first allowable, until the total credit is used.

Proposal

This bill would extend the carryover period for individual and corporate income tax credit for purchase of machinery and equipment for processing recyclable materials from 10 years to 20 years. The bill also revives the individual income tax credit that expired on January 1, 2004 and extends the carryover period to 20 years succeeding the date that the individual was first allowed to take the credit.

The bill would allow individual taxpayers to claim a credit for recycling equipment, retroactively to January 1, 2004, until January 1, 2007. This provision restores a capability that existed for numerous years and ceased to exist for taxable years beginning on and after January 1, 2004. Previously earned credits are still being claimed due to the 10-year carry-over period.

cc : Secretary of Finance

Date: 1/29/2005 TST
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