

DEPARTMENT OF TAXATION

2007 Fiscal Impact Statement

1. **Patron** Danny C. Bowling

2. **Bill Number** HB 3044

3. **Committee** Senate Finance

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Corporate Income Tax; Credit for the
Purchase of Machinery and Equipment for
Processing Recyclable Materials

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would extend the sunset date from January 1, 2007 to January 1, 2010 for the corporate income tax credit for the purchase of machinery and equipment used to produce personal property from recyclable materials.

This bill contains an emergency clause, which states that this bill would be effective on January 1, 2007.

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

7. **Budget amendment necessary:** No.

8. Fiscal implications:

This bill would have no impact on TAX's administrative costs or General Fund revenues, as the official revenue forecast assumes the extension of all expiring provisions.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Environmental Quality

10. **Technical amendment necessary:** No.

11. Other comments:

Current Law

Corporations are allowed an income tax credit equal to 10% of the purchase price paid during the taxable year for machinery and equipment used to produce tangible personal property from recycled materials. The total credit allowed in any taxable year is limited to 40% of the taxpayer's Virginia income tax liability. The Department of Environmental

Quality ("DEQ") must certify that the purchases made corporations qualify for the credit before the taxpayer is entitled to claim the credit.

Corporations are allowed to carryover unused credits for up to ten succeeding taxable years. Unused credits cannot be carried back. Any credits that are unused at the end of the ten-year period expire. This credit expired on December 31, 2006.

Proposal

This bill would extend the sunset date from January 1, 2007 to January 1, 2010 for the corporate income tax credit for the purchase of machinery and equipment used to produce personal property from recyclable materials.

Similar Legislation

Senate Bill 870 would extend the sunset date for this credit from January 1, 2007 to January 1, 2015. In addition, this bill would make the credit available for use against the individual income tax as well as the corporate income tax.

cc : Secretary of Finance

Date: 2/7/2007 AMS
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