

DEPARTMENT OF TAXATION

2009 Fiscal Impact Statement

1. **Patron** C. Charles Caputo

3. **Committee** House Finance

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

2. **Bill Number** HB 2296

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would extend the sunset date for the authorization of tax credits allowed under the Major Business Facility Job Tax Credit from January 1, 2009, to January 1, 2020. In addition, it would reinstate the lower threshold amount for severely economically distressed areas.

The effective date of this bill is not specified.

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

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

8. **Fiscal implications:**

Administrative Costs

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

Revenue Impact

As amended, this bill would have no revenue impact, because the continuation of the Credit is assumed in the revenue forecast.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: Yes.

The intent of this bill was merely to extend the Major Business Facility Job Tax Credit, and not to reinstate the lower threshold for the severely economically distressed areas. In order to remove the reinstatement and to conform this bill to the original intent, the following technical amendment is suggested:

Page 2, Line 112, after beginning on or after January 1,
Strike: 20042009, but before January 1, 20062020
Insert: 2004, but before January 1, 2006

11. Other comments:

Background

Individuals, estates, trusts, corporations, banks, telecommunications companies, and insurance companies may claim a Virginia tax credit if the taxpayer creates at least 100 new full-time jobs in connection with the establishment or expansion of a major business facility, and the company is engaged in a qualifying industry in Virginia. If a taxpayer is located in an enterprise zone or in an economically distressed area (as defined by the Virginia Economic Development Partnership), the threshold is reduced from 100 to 50. Credits will be recaptured proportionately if employment decreases during the five years following the initial credit year.

This nonrefundable credit is equal to \$1,000 per each qualifying new job in excess of the 100/50 job threshold and is spread over three years. The credit only applies to facilities where an announcement to expand or establish such a facility was made on or after January 1, 1994. The credit must be claimed ratably over three taxable years, beginning with the taxable year following the year in which the facility is established or expanded, or the new qualifying jobs are added. Unused credits may be carried forward for the next ten taxable years.

For taxable years beginning on or after January 1, 2004 but before January 1, 2006, the threshold amount to qualify for this credit for a business facility located in a severely economically distressed areas is lowered from 100 to 25 full time jobs. Severely economically distressed areas will be identified by the Virginia Economic Development Partnership and are defined as having an unemployment rate during the preceding year of at least twice the average statewide unemployment rate. Under this provision, TAX was authorized to grant a total of \$100,000 in credits annually to businesses in severely economically distressed areas. The credit will be prorated among applicants if credit requests exceed the \$100,000 limit.

Proposal

As amended, this bill would extend the sunset date for the authorization of tax credits allowed under the Major Business Facility Job Tax Credit from January 1, 2009, to January 1, 2020.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/19/2009 TLG
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