

DEPARTMENT OF TAXATION

2009 Fiscal Impact Statement

1. **Patron** Lacey E. Putney

2. **Bill Number** HB 2575

3. **Committee** Passed House and Senate

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

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

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, this bill would allow the taxpayer to claim the credit amount over two years instead of three.

The provision that would allow the taxpayer to claim one-half of the credit amount for two years would be effective for taxable years beginning on or after January 1, 2009, but before December 31, 2010.

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

6b. Revenue Impact:

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Fund</i> |
|---------------------------|-----------------------|--------------------|
| 2008-09 | \$0 | GF |
| 2009-10 | (\$265,000) | GF |
| 2010-11 | (\$530,000) | GF |
| 2011-12 | \$265,000 | GF |
| 2012-13 | \$530,000 | GF |
| 2013-14 | \$0 | GF |
| 2014-15 | \$0 | GF |

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

Page 1, Revenue Estimates

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. TAX considers implementation of this bill as "routine," and does not require additional funding.

Revenue Impact

The provision of this bill that extends the sunset date would have no revenue impact because the continuation of the Credit is assumed in the revenue forecast.

The provision of this bill that would allow the taxpayer to claim the credit amount over two years would have a negative impact of \$265,000 in FY 2010 and \$530,000 in FY 2011, followed by a positive impact of \$530,000 in FY 2012 and \$265,000 in FY 2013. This revenue estimate was developed using an average of the amount of this credit that was granted for taxable years 2006 and 2007. The amount of credit that would be available to be claimed over three years was compared to the amount that would be available if the credit were to be claimed over two years.

This revenue estimate is predicated on the most recent data regarding the amount of this credit that has been granted. The amount that is granted is not typically the amount that is claimed, however. For example, the December 2008 report to the General Assembly on the Major Business Facility Job Tax Credit found that only \$0.5 million of major business facility job tax credits were claimed in 2007. For this reason, and because economic conditions have changed and many taxpayers may now have a lower amount of tax liability against which to use the credit, the actual revenue impact of this bill may be lower.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Background

Individuals, estates, trusts, corporations, banks, 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.

Proposal

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, this bill would allow the taxpayer to claim one-half of the credit amount over two years instead of three.

The provision that would allow the taxpayer to claim one-half of the credit amount for two years would be effective for taxable years beginning on or after January 1, 2009, but before December 31, 2010.

cc : Secretary of Finance

Date: 2/19/2009 TLG
HB2575FER161