DEPARTMENT OF TAXATION
2009 Fiscal Impact Statement

1. Patron Mark R. Herring
R. Creigh Deeds

2. Bill Number SB 1098
House of Origin:
X **Introduced**
_____ **Substitute**
_____ **Engrossed**

Second House:
_____ **In Committee**
_____ **Substitute**
_____ **Enrolled**

3. Committee Senate Finance

4. Title Individual and Corporate Income Tax: Credit for Flextime Programs

5. Summary/Purpose:

This bill would allow employers to claim a one-time $500 individual or corporate income tax credit for each employee who enters into a flextime agreement and participates in a flextime program. The aggregate amount of tax credits available to an employer in all taxable years after January 1, 2010 would not be allowed to exceed $25,000.

The amount of these credits would not be allowed to exceed the tax liability of the taxpayer. The employer could not carry forward or carry back any unused credits. In addition, the taxpayer would not be eligible for this credit if any other income tax credit was also claimed.

The total aggregate amount of credits approved by the Tax Commissioner would not be allowed to exceed $1 million annually. Taxpayers would be required to apply to TAX for an allocation of the credit. The application would be required to be filed between September 1 and October 31 of the year preceding the taxable year for which the tax credit was to be earned. TAX would be required to provide tentative approval by December 31. If the applications for the credit exceeded the cap, the credits would be allocated to employers on a pro rata basis.

The effective date of this bill would be for taxable years beginning on and after January 1, 2010. However, taxpayers would be required to apply for the credits beginning on September 1, 2009.

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

6b. Revenue Impact:

Fiscal Year	***Dollars***	***Fund***
2008-09	$0	GF
2009-10	$0	GF
2010-11	($1 million)	GF
2011-12	($1 million)	GF
2012-13	($1 million)	GF
2013-14	($1 million)	GF
2014-15	($1 million)	GF

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

Because this credit would be capped at $1 million per year, the revenue loss associated with this bill would total $1 million annually beginning in Fiscal Year 2011.

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

Department of Taxation

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

11. Other comments:

State Comparison

In a review of other states, TAX found one other state that provides a tax credit for telework programs. Georgia offers a credit, currently set to expire on December 31, 2009, to companies for eligible telework expenses for each participating employee. The maximum amount allowed is $1,200 per employee. Additionally, Georgia offers a credit of up to $20,000 for employers to assess their telework programs.

Proposal

This bill would allow employers to claim a one-time $500 individual or corporate income tax credit for each employee who enters into a flextime agreement and participates in a flextime program. The aggregate amount of tax credits available to an employer in all taxable years after January 1, 2010 would not be allowed to exceed $25,000.

The amount of these credits would not be allowed to exceed the tax liability of the taxpayer. The employer could not carry forward or carry back any unused credits. In addition, the taxpayer would not be eligible for this credit if any other income tax credit was also claimed.

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TAX would be required to promulgate rules and forms regarding standards for eligibility and the process of application.

"Employer" would be defined as any employer subject to the income tax.

"Flextime" would be defined as a workweek different from a standard workweek, whereby an employer allows a qualified employee who has entered into a flextime agreement to choose to begin work anytime between 6 a.m. and 9 a.m. or allows a qualified employee to work four 10-hour days.

"Flextime agreement" would be defined as an agreement signed by the employer and the participating, qualified employee, on or after January 1, 2010, that defines the terms of the flextime schedule.

"Qualified employee" would be defined as an employee who is employed not less than 35 hours per week by the employer.

The effective date of this bill would be for taxable years beginning on and after January 1, 2010. However, taxpayers would be required to apply for the credits beginning on September 1, 2009.

Other Legislation

Senate Bill 1097 would create an individual or corporate income tax credit for employers who incur eligible telework expenses.

cc : Secretary of Finance

Date: 1/22/2009 JKL
HB1098F161