

# DEPARTMENT OF TAXATION

## 2009 Fiscal Impact Statement

- |   |                                      |
|---|--------------------------------------|
| <b>1. Patron</b> Emmett W. Hanger, Jr.  | <b>2. Bill Number</b> <u>SB 1357</u> |
|   | <b>House of Origin:</b>              |
| <b>3. Committee</b> Senate Finance  | <u>  X  </u> <b>Introduced</b>       |
|   | <u>      </u> <b>Substitute</b>      |
|   | <u>      </u> <b>Engrossed</b>       |
| <b>4. Title</b> Income Tax: Clean Fuel Vehicle and<br>Cellulosic Biofuels Job Creation Tax Credit | <b>Second House:</b>                 |
|   | <u>      </u> <b>In Committee</b>    |
|   | <u>      </u> <b>Substitute</b>      |
|   | <u>      </u> <b>Enrolled</b>        |

### 5. Summary/Purpose:

This bill would change the types of jobs that a corporation could create in order to qualify for the clean fuel vehicle job creation tax credit. The new job types would be (i) the manufacture of the major components of the energy storage, energy supply, or engine, motor, and power train mechanisms unique to a vehicle fueled by clean special fuels; (ii) the manufacture of components uniquely used to convert vehicles designed to operate on gasoline or diesel fuel to operate on clean special fuels or cellulosic biofuels; (iii) the conversion of vehicles designed to operate on gasoline or diesel fuel to operate on clean special fuels or cellulosic biofuels; (iv) the manufacture of vehicles designed to operate on clean special fuels; (v) the manufacture of components designed to produce, store, and dispense clean special fuels or cellulosic biofuels; or (vi) the production of cellulosic biofuels.

The amount of the tax credit would remain \$700 for each new qualifying job created in a taxable year. The credit would be allowed in the taxable year in which the job is created and in each of the two succeeding years in which the job is continued. In addition, the existing effective dates would remain for taxable years beginning on or after January 1, 1996, through December 31, 2011.

**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

Only six credits were claimed for 1996-1999, but no credits have been claimed during taxable years 2000-2006. Modifying the eligibility criteria for this credit is likely to have a minimal effect on utilization. Therefore, it is likely that this bill would have a minimal or no revenue impact.

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

Department of Taxation

#### **10. Technical amendment necessary:** Yes.

If it was not the intention of this bill to apply retroactively, the following technical amendment is suggested:

Page 2, Line 69, after at the end of the line

Insert: **2. That the provisions of this act shall be effective for taxable years beginning on and after January 1, 2009.**

#### **11. Other comments:**

##### Current Virginia Law

For taxable years beginning on or after January 1, 1996, through December 31, 2011, a corporation is eligible for a credit against the corporate income tax equal to \$700 for each job which is created in either:

- the manufacture of components for vehicles designed to operate on a clean special fuel;
- the manufacture of components used to convert vehicles designed to operate on gasoline or diesel fuel to operate on clean special fuel;
- the conversion of vehicles designed to operate on gasoline or diesel fuel to operate on clean special fuel;
- the manufacture of vehicles designed to operate on clean special fuel; or
- the manufacture of components designed to produce, store, and dispense hydrogen as a vehicle fuel. The credit is allowed in the taxable year in which the job is created and in each of the two succeeding years in which the job is continued.

##### Proposal

This bill would change the types of jobs that a corporation could create in order to qualify for the clean fuel vehicle job creation tax credit. The new job types would be:

- the manufacture of the major components of the energy storage, energy supply, or engine, motor, and power train mechanisms unique to a vehicle fueled by clean special fuels;
- the manufacture of components uniquely used to convert vehicles designed to operate on gasoline or diesel fuel to operate on clean special fuels or cellulosic biofuels;
- the conversion of vehicles designed to operate on gasoline or diesel fuel to operate on clean special fuels or cellulosic biofuels;
- the manufacture of vehicles designed to operate on clean special fuels;
- the manufacture of components designed to produce, store, and dispense clean special fuels or cellulosic biofuels; or
- the production of cellulosic biofuels.

"Cellulosic biofuels" would mean a renewable fuel derived from any cellulose, hemicellulose, or lignin that is derived from renewable biomass and meets all applicable American Society for Testing and Materials (ASTM) standards for use in vehicles on the highways of the Commonwealth.

"Clean special fuel" would mean any product or energy source used to propel a highway vehicle, the use of which, compared to conventional gasoline or reformulated gasoline, results in lower emissions of oxides of nitrogen, volatile organic compounds, carbon monoxide or particulates or any combination thereof. The term includes compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, hythane (a combination of compressed natural gas and hydrogen), or electricity.

"Job" would mean the fulltime employment of an individual in Virginia by a corporation for at least 40 hours per week during at least 40 weeks during the calendar year whose primary work activity is related directly to any of the activities listed in subsection B.

The amount of the tax credit would remain \$700 for each new qualifying job created in a taxable year. The credit would be allowed in the taxable year in which the job is created and in each of the two succeeding years in which the job is continued. In addition, the existing effective dates would remain for taxable years beginning on or after January 1, 1996, through December 31, 2011.

#### Other Legislation

**House Bill 2374** would allow an income tax credit for each new "Renewable Energy Job" that is created. The amount of the credit would be 2% of each annual salary that is less than \$50,000, and \$1,000 for each annual salary that is \$50,000 or more.

**Senate Bill 1125** would allow an income tax credit for each new "green job" that is created. The amount of the credit would be \$1,000 for each taxable year, not exceed \$3,000 in total, for each annual salary that is \$50,000 or more.

cc : Secretary of Finance

