

**DEPARTMENT OF TAXATION
2009 Fiscal Impact Statement**

1. Patron Emmett W. Hanger, Jr.

3. Committee House Finance

4. Title Income Tax: Clean Fuel Vehicle and
Cellulosic Biofuels Job Creation Tax Credit

2. Bill Number SB 1357

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

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 current sunset date of the credit, which is December 31, 2011, would be unchanged.

This bill would be effective for taxable years beginning on or after January 1, 2009.

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

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

Technical amendment necessary: No.

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.

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cc : Secretary of Finance

Date: 2/9/2009 TLG
SB1357FE161