DEPARTMENT OF TAXATION
2011 Fiscal Impact Statement

1. Patron Joseph D. Morrissey

2. Bill Number HB 2342

House of Origin:
X **Introduced**
____ **Substitute**
____ **Engrossed**

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

3. Committee House Finance

4. Title Hiring Employees with Disabilities Tax Credit.

5. Summary/Purpose:

This bill would create a tax credit for an employer who employs an individual with a disability. The two-year credit would equal 20% of the first $6,000 of annual wages paid to the employee. The credit could be claimed against an employer's income tax, bank franchise tax, state insurance license tax, or state license tax on public service corporations.

The bill would also repeal the expired Employees with Disabilities Tax Credit.

The credit would be available for taxable years beginning on and after January 1, 2011, with a sunset date of December 31, 2015.

6. Budget amendment necessary: Yes.
Item 262, Department of Taxation

7. Fiscal Impact Estimates are: Preliminary. (See Line 8.)
7a. Expenditure Impact:

Fiscal Year	*Dollars*	*Positions*	*Fund*
2010-11	$11,600	1	GF
2011-12	$23,400	1	GF
2012-13	$23,400	1	GF
2013-14	$23,400	1	GF
2014-15	$23,400	1	GF
2015-16	$23,400	1	GF
2016-17	$23,400	1	GF

8. Fiscal implications:

Administrative Costs

The Department of Taxation would need to hire one part-time staff in order to administer the provisions of this bill. The estimated costs for this staff would be $11,600 for Fiscal Year 2011 and $23,400 for Fiscal Year 2012 and thereafter.

Revenue Impact

The negative General Fund revenue impact this bill is not known. Department of Taxation records for the expired Employees with Disabilities Tax Credit, which functioned in almost the same manner as the proposed credit, reveal that only a small number of taxpayers claimed this credit. During the years the Employees with Disabilities Tax Credit was available, Fiscal Year 1999 through Fiscal Year 2003, the combined credit granted totaled less than $4,000.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Rehabilitative Services
Department for the Visually Handicapped
U.S. Department of Veterans' Affairs
State Corporation Commission

10. Technical amendment necessary: No.

11. Other comments:

Federal Law

The Work Opportunity Tax Credit allows employers to claim a federal tax credit up to 40% of the first $6,000 of wages paid to certain targeted individuals during the first year of employment. Targeted individuals eligible for the federal credit include disabled individuals.

Virginia Employees with Disabilities Tax Credit (Expired)

The Employees with Disabilities Tax Credit allowed employers that employed an individual with a disability a two-year credit equal 20% of the first $6,000 of annual wages paid to the employee. The Employees with Disabilities Tax Credit was available for taxable years beginning on and after January 1, 1999, with a sunset date of December 31, 2002. The credit proposed by this bill would be substantially the same as the expired Employees with Disabilities Tax Credit.

The bill would repeal the expired Employees with Disabilities Tax Credit.

Proposal

Under this bill, employers that hire qualified employees would be eligible for a tax credit equal to 20% of the first $5,000 of annual wages paid to a qualified employee. An employer could not claim this credit for existing employees hired before the effective date of this credit. The credit would be allowed during each of the first two years of the employment of a qualified employee.

The credit would be claimed against an employer's individual income tax, corporate income tax, fiduciary income tax, bank franchise tax, insurance license tax, or regulated utility license tax. An employer would be prohibited from applying the same credit more than once against different taxes.

The credit would be nonrefundable and nontransferable. Unused credits could be carried over for three succeeding taxable years until used. Any credits that are unused at the end of the three-year period would expire. Unused credits could not be carried back.

A "qualified employee" would be defined as an otherwise qualified person with a disability who has completed or is completing a rehabilitative program administered by the Department of Rehabilitative Services, the Department for the Visually Handicapped, or the U.S. Department of Veterans' Affairs. An employer would have to request certification from the Department of Rehabilitative Services, the Department for the Visually Handicapped, or the U.S. Department of Veterans' Affairs that an employee meets the definition of a "qualified employee." Such certification would have to be granted before the employer would be entitled to claim the credit.

This bill would require the Department of Rehabilitative Services, the Department for the Visually Handicapped, or the U.S. Department of Veterans' Affairs to certify to the Department of Taxation whether an employee is a qualified employee for purposes of this credit. Further, the Department of Taxation would be required to annually report to the House Finance and Senate Finance Committees on the status and implementation of this credit.

A credit would not be granted if the qualified employee is a relative of any owner or employer claiming the credit. A "relative" would mean spouse, child, grandchild, parent, or sibling. Further, the qualified employee could not own, directly or indirectly, more than 5% of any corporation claiming the credit.

The bill would be effective for taxable years beginning on and after January 1, 2011, but before December 31, 2015

Similar Bills

Senate Bill 1027 would amend the Temporary Assistance to Needy Families (TANF) tax credit by converting it from an appropriated credit program into a capped credit program. The $3 million cap and approval of qualified employers would be administered by the Department of Taxation.

cc : Secretary of Finance

Date: 1/20/2011 dtm
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