

Department of Planning and Budget 2011 Fiscal Impact Statement

1. Bill Number: SB1440

House of Origin Introduced Substitute Engrossed

Second House In Committee Substitute Enrolled

2. Patron: Herring and Howell

3. Committee: Finance

4. Title: Research and technology funding; Commonwealth Innovation Investment Fund.

5. Summary: The bill creates the Commonwealth Innovation Investment Fund. The fund will be administered by the Innovation and Entrepreneurship Investment Authority to create, attract, retain, expand, and enhance technology research, innovation, and economic development in the Commonwealth. Beginning in 2013, the fund will receive a portion of the income taxes withheld by science and innovation companies that employ persons in the Commonwealth. The percentage of the withheld taxes allocated to the fund will be based on a percentage of the difference between the current year's withheld taxes and the amount withheld in 2012, the baseline year.

6. Budget Amendment Necessary: No. The bill does not establish funding until FY 2013.

7. Fiscal Impact Estimates: Preliminary.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2013	2,000,000	0	GF
2014	8,520,000	0	GF
2015	13,970,000	0	GF
2016	19,740,000	0	GF
2017	25,760,000	0	GF

8. Fiscal Implications: The bill will not impact overall general fund revenues. However, it will transfer tax supported general fund revenue to the newly formed Commonwealth Innovation Investment Fund in the amounts listed in step 7a above. The Department of Taxation's (TAX) estimate is considered preliminary and is based on the applicable percentages defined in the bill and on the North American Industry Classification System (NAICS) codes, the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. These dollars will no longer be available for other purposes.

In terms of administrative costs, the Department of Taxation considers the implementation of the bill as routine, and thus it will not require additional funding. The Innovation and

Entrepreneurship Investment Authority states that there are costs associated with administering the fund, but any such costs can be absorbed within existing resources.

9. Specific Agency or Political Subdivisions Affected: The Department of Taxation; The Innovation and Entrepreneurship Investment Authority; Any political entity seeking funding to further science and technology research.

10. Technical Amendment Necessary: Yes. TAX proposes the following changes:

Page 1, line 57, strike “Base year” and insert “Virginia base year withholding taxes”

Page 1, line 57, after “means” insert “the total amount of Virginia withholding taxes for”

Page 2, line 70, strike “base year taxation” and insert “Virginia base year withholding taxes”

11. Other Comments: Disbursements from the Commonwealth Innovation Investment Fund will be made only after deposits are made into the fund. The bill provides that any yearend balances are to be reappropriated and the fund retains any interest earned.

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