

DEPARTMENT OF TAXATION

2012 Fiscal Impact Statement

1. **Patron** Richard L. Anderson

3. **Committee** House Finance

4. **Title** Income Tax: Tax Credit for Former Military
Persons Hired Into STEM Internships

2. **Bill Number** HB 1049

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would allow an individual and corporate income tax credit equal to 25 percent of the wages or salary paid during the taxable year to a person if the person is enrolled in a STEM (science, technology, engineering, or mathematics) internship for an aggregate period not to exceed 12 months. The credit may not exceed the taxpayer's tax liability for the taxable year. Any unused credits may be carried over for five years or until the total amount of the credit has been taken, whichever is sooner.

The total amount of tax credits that could be issued in a fiscal year of the Commonwealth would be limited to \$2 million. This bill would require the Department to develop procedures for allocating tax credits in the event that applications for tax credits exceed \$2 million for the fiscal year.

This bill would be effective for taxable years beginning on or after January 1, 2012. However, tax credits would not be approved after June 30, 2017.

6. **Budget amendment necessary:** Yes.

Page 1, Revenue Estimates

ITEM(S): 273, Department of Taxation

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

7a. **Expenditure Impact:**

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Positions</i> | <i>Fund</i> |
|---------------------------|-----------------------|-------------------------|--------------------|
| 2011-12 | | 0 | GF |
| 2012-13 | \$61,100 | 1 FTE | GF |
| 2013-14 | \$60,008 | 1 FTE | GF |
| 2014-15 | \$61,664 | 1 FTE | GF |
| 2015-16 | \$63,370 | 1 FTE | GF |
| 2016-17 | \$65,127 | 1 FTE | GF |
| 2017-18 | \$66,937 | 1 FTE | GF |

8. Fiscal implications:

Administrative Costs

The Department of Taxation (“the Department”) believes it could implement this bill as part of its routine annual changes to systems and forms, but is requesting funding in the amount of \$61,100 in FY 2013, \$60,008 in FY 2014, \$61,664 in FY 2015, \$63,370 in FY 2016, \$65,127 in FY 2017 and \$66,937 in FY 2018, and each subsequent year thereafter, for hiring one additional full-time employee necessary to review, verify, and process the anticipated volume of applications and returns claiming the credit. The Department may revise these administrative costs later in the session after analyzing all state tax legislation.

Revenue Impact

The negative General Fund revenue impact of this bill is unknown. The maximum negative revenue impact, however, could not exceed the \$2 million cap.

9. Specific agency or political subdivisions affected:

Department of Taxation
Superintendent of Public Instruction

10. Technical amendment necessary: No.

11. Other comments:

Worker Retraining Tax Credit

The Worker Retraining Tax Credit allows an employer to claim a tax credit against individual income tax, estate and trust tax, corporate income tax, bank franchise tax, and taxes imposed on insurance companies and utility companies, for the training costs of providing eligible worker retraining to qualified employees.

Eligible worker retraining includes approved non-credit courses provided by any of the Commonwealth's community colleges or a private school. It also includes credit or non-credit retraining courses undertaken through an apprenticeship agreement approved by the Virginia Apprenticeship Council.

The credit is equal to 30 percent of all classroom training costs but is limited to up to \$100 per student if the course work is incurred at a private school. The total amount of tax credits that the Department of Taxation is allowed to authorize is \$2.5 million annually.

Proposal

This bill would allow an individual and corporate income tax credit equal to 25 percent of the wages or salary paid during the taxable year to a person if the person is enrolled in a STEM (science, technology, engineering, or mathematics) internship for an aggregate

period not to exceed 12 months. The credit may not exceed the taxpayer's tax liability for the taxable year. Any unused credits may be carried over for five years or until the total amount of the credit has been taken, whichever is sooner.

To claim the credit the taxpayer would be required to apply to the Department of to determine the credit amount allowable for the taxable year. The Department would be required to provide a written certification to the taxpayer of the amount of tax credit that may be claimed, which would be required to be attached to the taxpayer's income tax return.

The total amount of tax credits that could be issued in a fiscal year of the Commonwealth would be limited to \$2 million. This bill would require the Department to develop procedures for allocating tax credits in the event that applications for tax credits exceed \$2 million for the fiscal year.

"Eligible person" would mean a (i) person with a high school concentration or an associate's, bachelor's, or advanced degree in a STEM discipline or (ii) graduate of a STEM trade school.

"STEM" would mean a science, technology, engineering, or mathematics discipline.

"STEM intern" would mean an eligible person (i) who is an employee of the taxpayer and who is working in a STEM position and receiving supervised practical training in such position, (ii) whose employment in the STEM position with the taxpayer is for a definite period not exceeding 12 months, (iii) who is not receiving the standard fringe benefits provided by the taxpayer to its other employees, and (iv) who was not an employee or independent contractor of the taxpayer or any of the taxpayer's affiliates within the 36 months immediately preceding employment in the STEM position with the taxpayer.

"STEM position" would mean a job in the Commonwealth with a principal duty of performing: accounting; acoustical engineering; actuary; aerospace engineering; agricultural technology; astronomy; astrophysics; atmospheric sciences; biochemistry; bioinformatics; biomechanics; chemical engineering; chemistry mathematics; civil engineering; computer engineering; computer science; electrical engineering; environmental technology; geographic information systems; mathematical biology; mechanical engineering; medical device technology; nanotechnology; neurobiology; nuclear physics; operations research; physics; robotics; or any other job with a principal duty of performing a STEM discipline as determined by the Tax Commissioner in consultation with the Superintendent of Public Instruction.

Any credits granted to a partnership, limited liability company, or electing small business corporation (S corporation) would be allocated to the individual partners, members, or shareholders, respectively, in proportion to their ownership or interest in such business entities.

This bill would require the Department to publish a list of STEM disciplines and STEM positions on its website and update the lists at least every two years. In addition, this bill would require the Tax Commissioner to develop guideline, exempt from the provisions of the Administrative Process Act, to implement this tax credit.

This bill would be effective for taxable years beginning on or after January 1, 2012. However, tax credits would not be approved after June 30, 2017.

Similar Bills

House Bill 111 would grant an individual or corporate income tax credit, equal to \$1,000, for each new full-time job, up to 50, that a small business creates in Virginia.

House Bill 191 would allow a corporate or individual income tax credit, equal to \$2,500, to a small business for each new job it creates in Virginia and fills with a graduate of a Virginia college or university.

House Bill 720 would increase the worker retraining tax credit for worker retraining courses taken by employees at private schools from a maximum of \$100 per year per employee to \$250 per year per employee, and \$500 per year per employee if the worker retraining includes retraining in a STEM or STEAM (science, technology, engineering, mathematics, or applied mathematics) discipline or a healthcare related discipline.

House Bill 1041 would create an individual and corporate income tax credit for each new full-time job created and filled by a veteran with an annual salary of at least \$50,000. The amount of the credit would be equal to \$500 for each new full-time job that is filled with a returning military veteran, or \$1,000 if the new full-time job that is filled with a disabled military veteran.

House Bill 1050 would create an individual and corporate income tax credit for taxpayers employing former military persons in STEM internship positions in the Commonwealth. The credit would be equal to 25 percent of the wages or salary paid to the intern. The total amount of tax credits that may be allocated in a fiscal year would be limited to \$2 million.

cc : Secretary of Finance

Date: 2/2/2012 tlg
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