

DEPARTMENT OF TAXATION

2012 Fiscal Impact Statement

1. **Patron** Mark R. Herring

3. **Committee** Senate Finance

4. **Title** Telework expenses tax credit

2. **Bill Number** SB 238

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would extend the sunset date for the Telework Expenses Tax Credit from taxable years beginning before January 1, 2014 to taxable years beginning before January 1, 2016. It also extends the date before which an employer must enter into a telework agreement with a participating employee from January 1, 2014 to January 1, 2016.

This bill would also make other related changes. Such changes include clarifying that the credit cannot exceed \$50,000 per employer for each calendar year; that credit is for expenses incurred during the calendar year that ends during the taxable year; that the employer is prohibited from claiming another Virginia income tax credit based on the jobs, wages, or other expenses for the same employee; that the reservation application must be submitted in the year preceding the calendar year in which the eligible telework expenses will be incurred.

This bill would be effective for taxable years beginning on or after January 1, 2012.

This bill is an Executive bill.

6. **Budget amendment necessary:** No.

7. **No Fiscal Impact.** (See Line 8.)

8. Fiscal implications:

Administrative Costs

The Department considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

This bill would have no revenue impact, as the extension of the telework expenses tax credit is assumed in the official General Fund forecast.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Current Law

The Telework Expenses Tax Credit is an individual and corporate income tax credit for employers that incur eligible telework expenses. There are two parts to the credit. Employers can claim a credit for eligible telework expenses incurred during the 2012 and 2013 calendar years, not to exceed \$1,200 per eligible teleworking employee. Employers can also claim up to \$20,000 for the costs of conducting a telework assessment. The total amount of the Telework Expenses Tax Credit claimed by an employer cannot exceed \$50,000 for the 2012 and 2013 calendar years. The portion of the credit for conducting a telework assessment can only be claimed once by an employer. The total amount of credits is currently capped at \$1 million annually for the 2012 and 2013 taxable years.

To qualify for a credit for eligible telework expenses, the employer must enter into a signed telework agreement with the teleworking employee on or after July 1, 2012, but before January 1, 2014. This telework agreement must be in accordance with policies set by the Department of Rail and Public Transportation.

To receive this credit, taxpayers must submit a reservation application to the Department between September 1 and October 31 of the year preceding the taxable year for which the tax credit is to be earned. If reservation applications for the year exceed the \$1 million credit cap, tentative credits are allocated to taxpayers on a pro rata basis. Once an employer has actually incurred eligible expenses, it must submit a final application to the Department in order to an actual credit allocation. If applications for credit allocations exceed the credit cap, the Department allocates credit to taxpayers on a pro rata basis.

The amount of credit claimed cannot exceed the tax liability of the taxpayer and unused credit amounts cannot be carried forward to future taxable years. Taxpayers cannot claim this credit if any other income tax credit was also claimed or if the qualified expenses are deducted by the taxpayer in any taxable year.

The credit is currently set to expire on January 1, 2014.

Proposal

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This bill would also make other related changes. Such changes include clarifying that the credit cannot exceed \$50,000 per employer for each calendar year; that credit is for expenses incurred during the calendar year that ends during the taxable year; that the employer is prohibited from claiming another Virginia income tax credit based on the jobs, wages, or other expenses for the same employee; that the reservation application must be submitted in the year preceding the calendar year in which the eligible telework expenses will be incurred.

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Similar Legislation

House Bill 551 is identical to this bill.

House Bill 1000 would increase the annual cap of the Telework Expenses Tax Credit from \$1 million to \$1.5 million and increase the per taxpayer maximum from \$50,000 to \$75,000.

House Bill 999 would create an individual income tax credit for taxpayers who telework.

cc : Secretary of Finance

Date: 1/23/2012 KLC
SB238F161