

DEPARTMENT OF TAXATION

2012 Fiscal Impact Statement

1. **Patron** David I. Ramadan

3. **Committee** House Finance

4. **Title** Telework expenses tax credit

2. **Bill Number** HB 1000

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would increase the annual cap on the Telework Expenses Tax Credit from \$1 million to \$1.5 million. This bill would also increase the amount of credit per employer from \$50,000 to \$75,000 for the 2012 and 2013 taxable years.

The effective date of this bill is not specified.

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

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

7b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2011-12	\$0	GF
2012-13	(\$500,000)	GF
2013-14	(\$500,000)	GF
2014-15	\$0	GF
2015-16	\$0	GF
2016-17	\$0	GF
2017-18	\$0	GF

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") 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. As stand-alone legislation, the Department considers implementation of this bill as "routine," and does not require additional funding.

The Department will provide specific administrative costs on any legislation that is not "routine." Additionally, the Department will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills

likely to pass either house is unusually large, it is possible that additional resources will be required. If so, the Department will identify the costs at that time.

Revenue Impact

This bill would have an annual negative revenue impact of \$500,000 in FY 2013 and FY 2014. Increasing the maximum amount that each employer can claim would not have a revenue impact.

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 the 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

This bill would increase the annual cap on the Telework Expenses Tax Credit from \$1 million to \$1.5 million. This bill would also increase the amount of credit per employer from \$50,000 to \$75,000 for the 2012 and 2013 taxable years.

The effective date of this bill is not specified.

Similar Legislation

House Bill 551 and **Senate Bill 238** would extend the sunset date of the Telework Expenses Tax Credit from taxable years beginning before January 1, 2014 to taxable years beginning before January 1, 2016.

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

cc : Secretary of Finance

Date: 1/21/2012 KLC
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