

DEPARTMENT OF TAXATION

2013 Fiscal Impact Statement

1. **Patron** David I. Ramadan

2. **Bill Number** HB 1336

3. **Committee** Senate Finance

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

4. **Title** Individual Income Tax; Telework Tax Credit.

Second House:

☒ In Committee

☐ Substitute

☐ Enrolled

5. **Summary/Purpose:**

This bill would create an individual income tax credit for taxpayers who telework. The tax credit would be equal to \$250. In order to be eligible for the tax credit, the taxpayer would be required to submit certification from the taxpayer's employer to the Department certifying that the taxpayer teleworked at least 20 hours a week during at least 45 weeks in the taxable year for which the tax credit is claimed.

The Department of Taxation ("the Department") would not be allowed to issue more than \$1 million in tax credits in any fiscal year. Tax credits would be issued to approved applicants on a first-come, first-served basis.

This tax credit would be effective for taxable years beginning on or after January 1, 2013, but before January 1, 2018.

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

ITEM(S): Page 1, Revenue Estimates

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

7b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2012-13	\$0	GF
2013-14	(\$1 million)	GF
2014-15	(\$1 million)	GF
2015-16	(\$1 million)	GF
2016-17	(\$1 million)	GF
2017-18	(\$1 million)	GF
2018-19	\$0	GF

8. Fiscal implications:

Administrative Costs

The Department of Taxation (“the Department”) considers implementation of this bill as routine, and is not requesting additional funding.

Revenue Impact

This bill is estimated to have an annual negative revenue impact of \$1 million in FY 2014, FY 2015, FY 2016, FY 2017, and FY 2018. This bill would allow a tax credit of \$250 per taxpayer, but it would not allow the Department to issue more than \$1 million of such tax credits during any fiscal year. Therefore, this bill would allow the Department to issue the credit to 4,000 taxpayers per fiscal year. Based on national data, the number of Virginia workers who currently telework far exceeds the number of taxpayers that could receive the tax credit under a \$1 million credit cap. Accordingly, the Department estimates that the full \$1 million credit would be issued each fiscal year.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: None.

11. Other comments:

Telework Expenses Tax Credit

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 tax credit. Employers can claim a tax credit for eligible telework expenses incurred between January 1, 2012, and January 1, 2017, 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 during a calendar cannot exceed \$50,000. The portion of the tax credit for conducting a telework assessment can only be claimed once by an employer. The total amount of tax credits is currently capped at \$1 million annually.

For purposes of the Telework Expenses Tax Credit, “telework” is defined as the performance of normal and regular work functions on a workday at a location different from the place where work functions are normally performed and that is within or closer to the participating employee’s residence. The term does not include home-based businesses, extensions of the workday, or work performed on a weekend or holiday.

To qualify for a tax 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, 2017. This telework agreement must be in accordance with policies set by the Department of Rail and Public Transportation.

To receive the tax 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 tax 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 receive a tax credit allocation. If applications for tax credit allocations exceed the tax credit cap, the Department allocates tax credits to taxpayers on a pro rata basis.

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

Proposal

This bill would create an individual income tax credit for taxpayers who telework. The tax credit would be equal to \$250. In order to be eligible for the tax credit, the taxpayer would be required to submit certification from the taxpayer's employer to the Department certifying that the taxpayer teleworked at least 20 hours a week during at least 45 weeks in the taxable year for which the tax credit is claimed.

This bill would require individuals to submit an application for the tax credit to the Department. The application would be required to include certification from the individual's employer to the Department, on a form or in the manner specified by the Department, that the individual teleworked at least 20 hours a week during at least 45 weeks for such employer in the taxable year for which the individual is applying for the tax credit. The Department would be responsible for determining whether an applicant met the requirements necessary to receive the tax credit and would issue tax credits to qualifying individuals. The credits would be issued on a first-come, first-served basis. The Department would not be allowed to issue more than \$1 million of such tax credits in any fiscal year.

The amount of tax credits would not be permitted to exceed the taxpayer's tax liability. The tax credits would not be permitted to be carried forward or carried back.

For purposes of this tax credit, "telework" would be defined as the performance of normal and regular work functions by an employee on a workday at a location different from the place where work functions are normally performed and that is within or closer to the employee's residence. "Telework" would not include the performance of work functions for a home-based business or by a taxpayer who is self-employed. The term would also exclude extensions of the workday or work performed on a holiday or weekend.

Nothing in this bill would prohibit an employer from claiming the Telework Expenses Tax Credit for an employee who claims the proposed individual telework tax credit.

This bill would require the Tax Commissioner to develop guidelines, exempt from the Administrative Process Act, in order to implement the provisions of this tax credit.

This tax credit would be effective for taxable years beginning on or after January 1, 2013, but before January 1, 2018.

cc : Secretary of Finance

Date: 2/5/2013 MTH
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