

DEPARTMENT OF TAXATION

2013 Fiscal Impact Statement

1. **Patron** Michael B. Watson

2. **Bill Number** HB 1767

3. **Committee** Senate Finance

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Tax Credit for Donations of Machinery and Equipment to Community Colleges and Vocational Schools

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would create an individual and corporate income tax credit for businesses that donate new machinery and equipment in good working condition, purchased within the last 12 months by the business, to a community college or vocational school that would be principally used in Virginia in teaching or training students of such college or school. This credit would be equal to 20 percent of the purchase price paid by the business to acquire the machinery and equipment, but not to exceed an aggregate credit of \$5,000 for all such donations of the business during such year. Any unused credit amounts could be carried over for five taxable years.

The Department of Taxation ("the Department") would not be permitted to issue more than \$1 million in tax credits in any fiscal year of the Commonwealth.

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.

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

8. **Fiscal implications:**

Administrative Costs

The Department considers implementation of this bill as routine, and does not require additional funding. The State Council of Higher Education for Virginia ("SCHEV") would not incur any administrative costs as a result of this bill, since it already maintains a list of vocational schools.

Revenue Impact

This bill would have a negative General Fund revenue impact of up to \$1 million annually beginning in Fiscal Year 2014. This impact would depend on the number of taxpayers donating machinery or equipment to community colleges and vocational schools, as well as the value of such donations.

9. Specific agency or political subdivisions affected:

Department of Taxation
State Council of Higher Education for Virginia

10. Technical amendment necessary: No.

11. Other comments:

Proposed Legislation

This bill would create an individual and corporate income tax credit for businesses that donate new machinery and equipment in good working condition, purchased within the last 12 months by the business, to a community college or vocational school that would be principally used in Virginia in teaching or training students of such college or school. This credit would be equal to 20 percent of the purchase price paid by the business to acquire the machinery and equipment, but not to exceed an aggregate credit of \$5,000 for all such donations of the business during such year. Any unused credit amounts could be carried over for five taxable years. The Department would not be permitted to issue more than \$1 million in tax credits in any fiscal year of the Commonwealth.

For purposes of this credit, "machinery and equipment" would be defined as engines, machines, motors, mechanical devices, laboratory trainers, computers, printers, tools, parts, and similar machinery and equipment as set forth in guidelines developed by the Department.

A qualifying community college would include any community college that is part of the Virginia Community College System. A qualifying "vocational school" would be defined as any entity offering formal instructional programs of study (i) that is certified to operate in Virginia by SCHEV or that is exempt from such certification requirement and whose instructional programs do not lead to an associate or higher level degree, or (ii) that offers career or technical education administered by the Department of Education.

In order to be allowed the credit, the business would be required to submit an application to the Department. The application would be required to include a written certification made by the donee community college or vocational school to its income tax return. The written certification prepared by the done community college or vocational school would be required to identify:

- The done community college or vocational school,
- The business donating the machinery and equipment,

- The date of the donation, and
- The number of units of each item of machinery and equipment donated.

The certification would also be required to include a statement by the done community college or vocational school that the machinery and equipment will be principally used in Virginia in teaching or training students of the done community college or vocational school.

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.

The Department would be required to maintain on its website a list of machinery and equipment that qualifies for this credit. SCHEV would be required to maintain on its website a list of vocational schools to which donations of machinery and equipment may qualify for this credit. Each list would be updated by the respective organization as necessary.

The Tax Commissioner would be required to develop guidelines implementing the provisions of this bill. Such guidelines would be exempt from the Administrative Process Act.

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

Similar Legislation

House Bill 1996 and **Senate Bill 1227** would make changes to the Education Improvement Scholarships Tax Credit and the Neighborhood Assistance Act Tax Credit. **These are executive bills.**

Senate Bill 1009 would make several changes to the Neighborhood Assistance Act Tax Credit.

cc : Secretary of Finance

Date: 02/05/2013 KLC
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