

DEPARTMENT OF TAXATION

2015 Fiscal Impact Statement

1. **Patron** Kaye Kory

3. **Committee** House Finance

4. **Title** Clean-Fuel Vehicle and Advanced Cellulosic
Biofuels Job Creation Tax Credit; sunset.

2. **Bill Number** HB 1778

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 Clean-Fuel Vehicle and Advanced Cellulosic Biofuels Job Creation Tax Credit from December 31, 2014 to December 31, 2019.

The effective date of this bill is not specified.

This is a Secretary of Finance bill.

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

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

8. Fiscal implications:

Administrative Costs

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

Revenue Impact

Because the extension of the Clean-Fuel Vehicle and Advanced Cellulosic Biofuels Job Creation Tax Credit is assumed in the official General Fund revenue forecast, this bill would have no impact on General Fund revenue.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. **Technical amendment necessary:** No.

11. Other comments:

Current Law

Under current law, corporate taxpayers may claim a tax credit of \$700 for each job that is created in either (i) the manufacture of the major components of the energy storage, energy supply, or engine, motor, and power train mechanisms unique to a vehicle fueled by clean special fuels; (ii) the manufacture of components uniquely used to convert vehicles designed to operate on gasoline or diesel fuel to operate on clean special fuels or advanced biofuels; (iii) the conversion of vehicles designed to operate on gasoline or diesel fuel to operate on clean special fuels or advanced biofuels; (iv) the manufacture of vehicles designed to operate on clean special fuels; (v) the manufacture of components designed to produce, store, and dispense clean special fuels or advanced biofuels; or (vi) the production of advanced biofuels.

For purposes of this credit, "advanced biofuel" means a fuel derived from any cellulose, hemicellulose, or lignin that is derived from renewable biomass or algae. "Clean special fuel" means any product or energy source used to propel a highway vehicle, the use of which, compared to conventional gasoline or reformulated gasoline, results in lower emissions of oxides of nitrogen, volatile organic compounds, carbon monoxide or particulates or any combination thereof. The term includes compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, hythane (a combination of compressed natural gas and hydrogen), or electricity. "Job" means the full-time employment of an individual in Virginia by a corporation for at least 40 hours per week during at least 40 weeks during the calendar year whose primary work activity is related directly to any of the activities listed above.

The credit is allowed in the taxable year in which the job is created and in each of the two succeeding years in which the job is continued. Any tax credit not used in the taxable year of job creation or continuation may be carried over for credit against the corporation's income tax in the five succeeding taxable years until the total credit amount is used. A corporation is not be eligible for a tax credit if such corporation claims the Major Business Facility Job Tax credit.

Proposal

This bill would extend the sunset date for the Clean-Fuel Vehicle and Advanced Cellulosic Biofuels Job Creation Tax Credit from December 31, 2014 to December 31, 2019.

The effective date of this bill is not specified.

Similar Legislation

House Bill 1843 and **Senate Bill 1037** would extend the sunset date for the Green Job Creation Tax Credit from January 1, 2015 to January 1, 2020.

House Bill 1844 would extend the provision that requires a qualified major business facility to spread the credit allowed per qualified full-time employee over two taxable years instead of over three taxable years, indefinitely.

cc : Secretary of Finance

Date: 1/20/2015 CWM
HB1778F161