Department of Planning and Budget
2016 Fiscal Impact Statement

1. **Bill Number:** HB1133

House of Origin	☒ Introduced	☐ Substitute	☐ Engrossed
Second House	☐ In Committee	☐ Substitute	☐ Enrolled

2. **Patron:** Kory

3. **Committee:** Commerce and Labor

4. **Title:** Paid sick leave pilot program.

5. **Summary:** Establishes a paid sick leave pilot program under which employers with 50 or fewer employees may volunteer to participate. Participating employers agree to provide to full-time employees paid sick days, to be accrued at a rate of no less than one hour for every 50 hours worked. An employee would be entitled to use accrued sick days beginning after the ninetieth calendar day of employment. Participating employers would provide paid sick days, upon the request of the employee, for diagnosis, care, or treatment of health conditions of the employee or the employee's family member. No more than 5,000 employers may participate in the program. Participating employers are eligible for a refundable income tax credit for 30 percent of the costs of hours of paid sick leave provided in a taxable year, excluding sick leave payments for the first 80 hours of paid sick leave and subject to a limit of $100 per employee. The total annual amount of tax credits is capped at $12.5 million. The tax credit created by this bill would be effective for taxable years beginning or after January 1, 2017, but prior to January 1, 2023.

6. **Budget Amendment Necessary**: Yes, Item 115 (Department of Labor and Industry) and Item 275 (Department of Taxation) HB30/SB30. See Item 8, below.

7. **Fiscal Impact Estimates:** Preliminary. See Item 8, below.

Expenditure Impact, Item 115:

Fiscal Year	*Dollars*	*Positions*	*Fund*
2016		0	
2017	$556,600	6	GF
2018	$556,600	6	GF
2019	$556,600	6	GF
2020	$556,600	6	GF
2021	$556,600	6	GF
2022	$556,600	6	GF

Expenditure Impact, Item 275:

Fiscal Year	*Dollars*	*Positions*	*Fund*
2016		0	
2017		0	GF
2018	$74,300	2	GF

2019	$136,600	2	GF
2020	$136,600	2	GF
2021	$136,600	2	GF
2022	$136,600	2	GF

7b. Revenue Impact:

Fiscal Year	*Dollars*	*Fund*
2016		
2017	($12.5 million)	GF
2018	($12.5 million)	GF
2019	($12.5 million)	GF
2020	($12.5 million)	GF
2021	($12.5 million)	GF
2022	($12.5 million)	GF

8. Fiscal Implications: This bill would have an annual negative general fund revenue impact, beginning in FY 2017. Because the credit would be subject to an annual credit cap, the impact of this legislation would not exceed the $12.5 million annual cap. The actual revenue impact of the bill (up to the annual cap) would depend on the number of employees and amount of qualifying expenses for each participating employer. Each employer would have fewer than 50 employees in order to qualify for the program and the maximum amount of eligible expenses would be capped at $100 per employee or $5,000 maximum. The Department of Taxation estimates that the amount of the credit, equal to 30 percent of an employer's eligible expenses, would be $1,500. The department further estimates that since the program is limited to 5,000 employers, the maximum amount of credits that could be issued to all employers under this bill would be $7.5 million per year; however, as previously stated, the annual amount of the credit is capped at $12.5 million per year. The actual revenue impact could be less, depending on the number of employees and amount of qualifying expenses for each participating employer.

The refundable tax credit created by this bill would be for one tax year only. The issuance of refundable tax credits under this bill would be in accordance with procedures, qualifying criteria, and deadlines established by the Tax Commissioner and the Department of Taxation. Any taxpayer allowed a credit would be required to maintain and make available for inspection any information or records required by the Tax Commissioner. The taxpayer would have the burden of proving eligibility for the credit and the amount of the credit. The Tax Commissioner would consult with the Commissioner of Labor and Industry in order to determine the amount of qualifying expenses.

The Tax Commissioner would be required to develop guidelines implementing the provisions of this bill, including but not limited to the definition of "qualifying expense" and setting forth the recordkeeping requirements applicable to participating employers claiming this credit. Such guidelines would be exempt from the provisions of the Administrative Process Act.

The first table above reflects the bill's anticipated impact to the Department of Labor and Industry. The Labor Law Division in the Department of Labor and Industry would need one labor law supervisor and two additional labor law compliance officer positions to set up, administer and enforce the paid sick leave pilot program and conduct inspections. Additionally, the Labor Law Division would need three assistant compliance officer positions to answer calls about the program and assist and support compliance activities. The Apprenticeship and Boiler and Pressure Vessels programs in the Department of Labor and Industry have similar application and monitoring functions as this bill. Both the Apprenticeship and Boiler and Pressure Vessels programs estimate, based on their experience, the Labor Law Division would need 5 to 7 additional staff to accomplish the Department of Labor and Industry's requirements under the bill.

The second table above reflects the bill's anticipated impact to the Department of Taxation. The Department would require additional funding of $74,300 in FY 2018 and $136,600 in each fiscal year thereafter in order to implement the provisions of this bill. Such funding would include funding for two FTEs to determine whether applicants qualify for the credit.

9. **Specific Agency or Political Subdivisions Affected:** Department of Labor and Industry; Department of Taxation.

10. **Technical Amendment Necessary:** No.

11. **Other Comments:** Similar bills, below.

    HB 33 would create an income tax credit for a portion of the salary or wages paid by small businesses to full-time employees in a job within Virginia for the period for which the employee is taking parental leave, equal to 65 percent of the first $8,333 in salary or wages paid to each such employee for parental leave.

    HB7 and SB274, companion bills as introduced, require private employers with 25 or more full-time employee equivalents to provide those employees working at least 18 hours per week with paid sick leave benefits.