

DEPARTMENT OF TAXATION

2019 Fiscal Impact Statement

1. **Patron** Betsy B. Carr

3. **Committee** Passed House and Senate

4. **Title** Telework Expenses Tax Credit; Repeal

2. **Bill Number** HB 2065

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would repeal the Telework Expenses Tax Credit by moving the credit's sunset date from January 1, 2022 to January 1, 2019.

If enacted during the 2019 Regular Session of the General Assembly, this bill would become effective July 1, 2019.

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

Revenue Impact

This bill would have a positive General Fund revenue impact of no more than \$61,000 beginning in Fiscal Year 2020. For Fiscal Year 2014 through Fiscal Year 2017, taxpayers claimed an average of \$61,000 of Telework Expenses Tax Credits each year. Therefore, the Department anticipates a positive revenue impact of \$61,000 beginning in Fiscal Year 2021. However, for Fiscal Year 2020, the positive revenue impact would be an unknown amount less than \$61,000 because certain taxpayers filing on extension for Taxable Year 2018 would still be able to claim credits during such fiscal year.

Fiscal Year	Number of Returns	Amount Claimed
FY 2014	7	\$51,128
FY 2015	10	\$112,843
FY 2016	9	\$56,127
FY 2017	7	\$14,734
FY 2018 (preliminary)	13	\$68,102

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 calendar year, 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 in a calendar year. 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.

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, 2022. This telework agreement must be in accordance with policies set by the Department of Rail and Public Transportation.

To receive this 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 sunset on January 1, 2022.

Proposed Legislation

This bill would repeal the Telework Expenses Tax Credit by moving the credit's sunset date from January 1, 2022 to January 1, 2019. This bill would also move the date before which an employer is required to enter into a telework agreement with a participating employee from January 1, 2022 to January 1, 2019.

If enacted during the 2019 Regular Session of the General Assembly, this bill would become effective July 1, 2019.

cc : Secretary of Finance

Date: 2/15/2019 JJS
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