

DEPARTMENT OF TAXATION

2019 Fiscal Impact Statement

1. **Patron** Karrie K. Delaney

3. **Committee** House Finance

4. **Title:** Individual Income Tax and Corporate Income Tax; Green Job Training Tax Credit

2. **Bill Number** HB 2241

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would provide an individual and corporate income tax credit for the direct costs incurred in the training and transitioning of fossil fuel worker into green jobs. The amount of the credit would be equal to \$1,000 per fossil fuel worker that is transitioned to a green job. This credit would not be subject to an annual credit cap.

This bill would be effective for taxable years beginning on or after January 1, 2019, but before January 1, 2024.

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

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 an unknown negative General Fund revenue impact beginning in Fiscal Year 2020. The credit would only apply to expenses incurred with respect to a limited pool of workers. However, it is unknown to what extent employers would incur costs for training and transitioning fossil fuel workers into green jobs.

9. **Specific agency or political subdivisions affected:**

Department of Taxation
Secretary of Commerce and Trade

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

11. Other comments:

Virginia's Green Job Creation Tax Credit

Virginia permits taxpayers to claim an income tax credit of \$500 for each new green job created in Virginia with a salary of \$50,000 or more. The credit is allowed for the taxable year in which a qualifying job has been filled for at least one year and for each of the four succeeding taxable years provided such job is continuously filled during the respective taxable year. Green jobs include employment in industries relating to the field of renewable, alternative energies. Each taxpayer is allowed the credit for up to 350 qualifying jobs. Taxpayers may qualify for this credit and the Enterprise Zone Grant Program, but a taxpayer is not allowed a tax credit for any green job for which the taxpayer is allowed a Major Business Facility Job Tax Credit or a federal tax credit for investments in manufacturing facilities for clean energy technologies.

Sunset Date of Income Tax Credits and Sales Tax Exemptions

Section 3-5.14 of the 2016-2018 Appropriation Act, as well as the Introduced Executive Budget, provides that the General Assembly may not advance the sunset date for any existing income tax credit or sales tax exemption beyond June 30, 2022. Any new income tax credit or sales tax exemption enacted by the General Assembly prior to the 2021 Session must have a sunset date no later than June 30, 2022.

Proposed Legislation

This bill would provide an individual and corporate income tax credit for the direct costs incurred in the training and transitioning of a fossil fuel worker into a green job. The amount of the credit would be equal to \$1,000 per fossil fuel worker that is transitioned to a green job. To qualify for the credit, the fossil fuel worker would be required to be employed by the taxpayer in a green job during the taxable year. This credit would not be subject to an annual credit cap.

"Green job" would be defined as a job in an industry relating to the field of renewable, alternative energies, including the manufacture and operation of products used to generate electricity and other forms of energy from alternative sources that include hydrogen and fuel cell technology, landfill gas, geothermal heating systems, solar heating systems, hydropower systems, wind systems, and biomass and biofuel systems.

"Job" would be defined as employment of an indefinite duration of an individual requiring a minimum of either (i) 35 hours per week of an employee's time per week for the entire normal year of such taxpayer's operations, which "normal year" must consist of at least 48 weeks, or (ii) 1,680 hours per year. For purposes of the credit, a job would not include seasonal or temporary positions.

"Fossil fuel worker" would be defined as an individual who currently is, or during the last 24 months was, employed in a job involved in the extraction, processing, combustion, or distribution of coal, petroleum, or natural gas.

If the amount of credits exceeds the taxpayer's tax liability for the taxable year, the taxpayer would be allowed to carry over the excess for credit against income taxes for the next five years or until the total amount of the tax credit has been taken, whichever occurs first.

Credits granted to a partnership, limited liability company, or electing small business corporation would be required to be allocated to the individual partners, members, or shareholders, respectively, in proportion to their ownership or interest in such business entities.

This bill would require the Secretary of Commerce and Trade to post a detailed definition and list of jobs that qualify for the credit on his or her website. This bill would also require the Tax Commissioner to develop guidelines, exempt from the Administrative Process Act, regarding this credit.

This bill would be effective for taxable years beginning on or before January 1, 2019, but before January 1, 2024.

Similar Bills

House Bill 2070 would provide an individual income tax deduction for up to \$10,000 for expenses incurred for purchasing energy saving products.

House Bill 2165, House Bill 2460, and Senate Bill 1496 would provide tax credits of up to \$100,000 for the construction, purchase, or lease of solar energy equipment placed in service on certain nonresidential real property.

cc : Secretary of Finance

Date: 1/15/2019 RWC
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