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## HOUSE BILL NO. 1104

Offered January 12, 2022

Prefiled January 12, 2022

*A BILL to amend and reenact § 58.1-439.12:07 of the Code of Virginia, relating to telework expenses tax credit.*

Patrons—Guzman, Clark, Hope, Keam, Kory, Maldonado, Mullin, Plum, Shin, Simon and Taylor

Referred to Committee on Finance

**Be it enacted by the General Assembly of Virginia:**

**1. That § 58.1-439.12:07 of the Code of Virginia is amended and reenacted as follows:**

**§ 58.1-439.12:07. Telework expenses tax credit.**

A. As used in this section, unless the context requires a different meaning:

"Eligible telework expenses" means expenses incurred during the taxable year pursuant to a telework agreement, in an amount up to \$1,200 for each participating employee, that enable a participating employee to begin to telework, which expenses are not otherwise the subject of a deduction from income claimed by the employer in any tax year. Such expenses include, but are not limited to, expenses paid or incurred to purchase computers, computer-related hardware and software, modems, data processing equipment, telecommunications equipment, high-speed Internet connectivity equipment, computer security software and devices, and all related delivery, installation, and maintenance fees. Such expenses do not include replacement costs for computers, computer-related hardware and software, modems, data processing equipment, telecommunications equipment, or computer security software and devices at the principal place of business when that equipment is relocated to the telework site. Eligible telework expenses may also include up to a maximum of \$20,000 for conducting a telework assessment on or after January 1, 2012. Such costs shall be ineligible for this credit if they are otherwise taken as a deduction by the employer from income in any taxable year. The costs included and allowed to be taken as a credit include program planning costs, which may include direct program development and training costs, raw labor costs, and professional consulting fees. Such costs shall not include those for which a credit is claimed under any other provision of this chapter. The credit for conducting a telework assessment shall be allowed once for each employer meeting the requirements herein.

"Employer" means any employer subject to the income tax imposed by this chapter.

"Participating employee" means an employee who has entered into a telework agreement with his employer on or after July 1, 2012, in accordance with policies set by the Virginia Department of Rail and Public Transportation who teleworked on a full-time basis for his employer for at least three months during the taxable year. ~~The term shall~~ "Participating employee" does not include an individual who is self-employed or an individual who ordinarily spends a majority of the workday at a location other than the place where his duties are normally performed.

"Telework" means the performance of normal and regular work functions on a workday at a location different from the place where work functions are normally performed and that is within or closer to the participating employee's residence. The term shall not include home-based businesses, extensions of the workday, or work performed on a weekend or holiday.

"Telework agreement" means an agreement signed by the employer and the participating employee, on or after July 1, 2012, but before January 1, 2019, that defines the terms of a telework arrangement, including the number of days per month the participating employee will telework in order to qualify for the credit, and any restrictions on the location from which the employee will telework.

"Telework assessment" means an optional assessment leading to the development of policies and procedures necessary to implement a formal telework program that would qualify the employer for the credit provided in this section, including but not limited to a workforce profile; a telework program business case and plan; a detailed accounting of the purpose, goals, and operating procedures of the telework program; methodologies for measuring telework program activities and success; and a deployment schedule for increasing telework activity.

B. For taxable years beginning on or after January 1, 2012, but before January 1, 2019, and taxable years beginning on or after January 1, 2022, but before January 1, 2032, an employer shall be allowed a credit against the taxes imposed pursuant to Articles 2 (§ 58.1-320 et seq.) and 10 (§ 58.1-400 et seq.) for eligible telework expenses incurred during the calendar year that ends during the taxable year. The amount of the credit shall not exceed \$50,000 per employer for each calendar year.

Such expenses may be incurred (i) only once per participating employee and (ii) directly by the employer on behalf of the participating employee or directly by the participating employee and

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59 reimbursed by the employer.

60 C. For purposes of this section, the amount of any credit attributable to a partnership, electing small  
61 business corporation (S corporation), or limited liability company shall be allocated to the individual  
62 partners, shareholders, or members, respectively, in proportion to their ownership or interest in such  
63 business entities.

64 D. The amount of tax credits available to any employer under this section in any taxable year shall  
65 not exceed the employer's tax liability. No unused tax credit shall be carried forward or carried back  
66 against the employer's tax liability. An employer shall be ineligible for a tax credit pursuant to this  
67 section if such employer claims a credit based on the jobs, wages, or other expenses for the same  
68 employee under any other provision of this chapter.

69 E. An employer seeking to claim a tax credit provided herein shall submit a reservation an  
70 application to the Tax Commissioner for tentative approval of the credit between September 1 and  
71 October 31 of the year preceding the calendar year in which the eligible telework expenses will be  
72 incurred. The Tax Commissioner shall establish policies and procedures for the reservation of tax credits  
73 by eligible employers Department pursuant to forms and procedures as required by the Tax  
74 Commissioner. Such policies and procedures shall provide (i) requirements for applying for reservations  
75 of tax credits, including provisions allowing an eligible employer to apply for a credit after incurring an  
76 expense; (ii) a system for allocating the available amount of tax credits among eligible employers; and  
77 (iii) a procedure for the cancellation and reallocation of tax credit reservations allocated to eligible  
78 employers that, after reserving tax credits, have been determined to be ineligible for all or a portion of  
79 the tax credits reserved. Such application shall certify that the employer would not have incurred the  
80 eligible telework expenses for which the credit is sought but for the availability of such credit. The Tax  
81 Commissioner shall provide tentative approval of the applications no later than December 31 of the year  
82 in which the applications are received. When the application and amount of tax credits have been  
83 approved and the employer applicant notified, such employer may make purchases approved for the tax  
84 credits during the immediately following taxable year or lose the right to such credits any other  
85 requirements deemed appropriate by the Tax Commissioner. The Tax Commissioner shall not require an  
86 eligible employer to reserve or obtain advance approval for tax credits allowed under this section.

87 F. In no event shall the aggregate amount of tax credits approved by the Tax Commissioner exceed  
88 \$1 million annually. In the event the credit amounts on the applications filed with the Tax  
89 Commissioner exceed the maximum aggregate amount of tax credits, then the tax credits shall be  
90 allocated on a pro rata basis based on the amounts allowed by subsection B under this section among  
91 the eligible employers who filed timely applications.

92 G. Actions of the Tax Commissioner relating to the approval or denial of applications for  
93 reservations of tax credits pursuant to this section shall be exempt from the provisions of the  
94 Administrative Process Act (§ 2.2-4000 et seq.).

95 **2. That the provisions of this act shall apply only to taxable years beginning on and after January**  
96 **1, 2022, and shall not modify eligibility requirements or per employee, per employer, and**  
97 **aggregate caps or any other provisions for prior taxable years.**