

**DEPARTMENT OF TAXATION
2002 Fiscal Impact Statement**

1. Patron Newman

3. Committee Senate Finance

4. Title Income Tax: Recycling Tax Credit

2. Bill Number SB 508

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would expand the Recycling Tax Credit to include recycling located off-site of the corporation's manufacturing facilities. However, the off-site recycling machinery and equipment would only qualify for the credit if the machinery and equipment is purchased by a corporation that owns, leases, or uses manufacturing facilities within the Commonwealth that manufactures, processes, compounds, or produces goods from recyclable materials. In addition, the off-site machinery and equipment must be used exclusively in the Commonwealth and be integral to the recycling process.

The provisions of this bill would be declaratory of existing law.

6. Fiscal Impact Estimates are: Not Available. (See Line 8.)

7. Budget amendment necessary: No

8. Fiscal implications:

The department would incur minimal administrative costs to implement this bill.

The impact of this bill on General Fund revenues is unknown. Because this bill is declaratory of existing law, corporations that have purchased qualifying off-site recycling machinery and equipment could receive certification for this credit and file amended returns for prior taxable years.

9. Specific agency or political subdivisions affected:

Department of Taxation

Department of Environmental Quality

10. Technical amendment necessary: None

11. Other comments:

Background

Currently, individuals and corporations are allowed an income tax credit equal to 10% of the purchase price paid during the taxable year for machinery and equipment used on the premises of manufacturing facilities or plant units which manufacture, process, compound or produce items of tangible personal property from recyclable materials within the state of Virginia for sale.

The credit allowed for any taxable year is limited to 40% of the taxpayer's income tax liability, prior to applying the recycling credit. The credit is nonrefundable, but unused credits may be carried forward for up to ten taxable years. The Department of Environmental Quality must certify that the machinery or equipment qualifies for the credit. This credit is scheduled to sunset on January 1, 2004.

Proposed Legislation

This bill would remove the requirement that machinery and equipment used to process recyclable materials be located on the premises of manufacturing facility. However, such machinery and equipment could only be located off-site if (i) the corporation owns, leases, or uses manufacturing facilities in Virginia to produce goods from recyclable materials, (ii) the machinery and equipment is used exclusively in Virginia, and (iii) the machinery and equipment is integral to the recycling process.

cc: Secretary of Finance

Date: 01/25/02/dtm

Document: S:\2002leg\WorkInProgress\OTPwork\Senate Bills\SB0508F161.doc