

**DEPARTMENT OF TAXATION
2004 Fiscal Impact Statement**

1. Patron Charles R. Hawkins

2. Bill Number SB 690

3. Committee Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

4. Title Corporate Income Tax; Tax Credit for
Purchase of Machinery and Equipment for
Processing Recyclable Materials

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. Summary/Purpose:

This bill would extend the sunset date from January 1, 2004 to January 1, 2007 for the corporate income tax credit for the purchase of machinery and equipment used to produce personal property from recyclable materials.

The effective date of this bill is not specified.

6. Fiscal Impact Estimates are: Preliminary. (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

The Department would incur minimal administrative costs as a result of this bill. In addition, this bill would have no impact on General Fund revenues because the continuation of the credit is assumed in the revenue forecast.

9. Specific agency or political subdivisions affected:

Department of Taxation

Department of Environmental Quality

10. Technical amendment necessary: No.

11. Other comments:

Background

Currently, corporations are allowed an income tax credit equal to 10% of the purchase price paid during the taxable year for machinery and equipment used to process recycled materials. The total credit allowed in any taxable year is limited to 40% of the taxpayer's

Virginia income tax liability, prior to applying the recycling credit. The Department of Environmental Quality must certify that the purchases made by individuals or corporations qualify for the credit before the taxpayer is entitled to claim the credit.

Corporations are allowed to carryover unused credits for up to ten_succeeding taxable years. Unused credits cannot be carried back. Any credits that are unused at the end of the ten-year period expire. This credit is scheduled to sunset on January 1, 2004.

Proposal

This bill would extend the sunset date from January 1, 2004 to January 1, 2007 for the corporate income tax credit for the purchase of machinery and equipment used to produce personal property from recyclable materials.

cc : Secretary of Finance

Date: 3/15/2004 CBF