

**DEPARTMENT OF TAXATION
2007 Fiscal Impact Statement**

1. **Patron** Harry R. Purkey

2. **Bill Number** HB 1761

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Income Tax; Worker Retraining Tax Credit

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would expand the worker retraining tax credit. The current credit is 30% of eligible expenditures paid by the employer for worker retraining with a maximum of \$100 per employee. This bill would expand the credit to 65% of eligible expenditures paid by the employer with a maximum of \$1,000 per employee. The total amount of tax credits granted to employers under this credit is limited to \$2.5 million per year.

This bill would be effective for taxable years beginning on and after January 1, 2008.

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

7. **Budget amendment necessary:** No.

8. **Fiscal implications:**

Administrative Costs

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

Revenue Impact

This bill would result in revenue losses of unknown magnitude. For taxable year 2005, worker retraining credits granted totaled \$12,724. If the credit limit of \$1000 had been in place for taxable year 2005, the revenue loss would have increased by approximately \$100,000. The increased credit may encourage additional worker retraining which may

qualify for the credit. This bill would not increase the current \$2.5 million annual cap on the credit.

9. Specific agency or political subdivisions affected:

Department of Business Assistance Services
Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Current Law

The Worker Retraining Tax Credit allows a credit against taxes equal to 30% of all expenditures paid or incurred by an employer during the taxable year for eligible worker retraining. The amount of the credit is limited to \$100 per employee and the total amount of credits granted to employers are not to exceed \$2.5 million annually.

The Worker Retraining Tax Credit was first offered in 1999. Employers are entitled to the credit only for those courses at a community college or a private school that have been certified as eligible worker retraining courses by the Department of Business Assistance.

Proposed Change

This bill would increase the percentage of the Worker Retraining Tax Credit from 30% to 65% of expenditures paid for eligible worker retraining. It would also raise the limit from \$100 per employee to \$1,000 per employee. The bill would not change the annual program cap of \$2.5 million.

cc : Secretary of Finance

Date: 1/16/2007 JOC
HB1761F161.doc