

DEPARTMENT OF TAXATION

2007 Fiscal Impact Statement

1. **Patron** Terrie L. Suit

3. **Committee** House Finance

4. **Title** Corporate and Individual Income Tax;
Bicyclists' Tax Credit

2. **Bill Number** HB 1826

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would create two income tax credits related to bicycle commuting. The first would be an income tax credit for businesses that would be equal to the lesser of expenditures for installing bicycle racks and showers in their place of business for use by employees who ride bicycles to work or \$5,000. The other credit would be an individual income tax credit for those taxpayers who use a bicycle to commute to and from work at least ten days per month. The amount of the credit would be equal to \$15 per month for each month that the bicycle is used.

This bill would be effective for taxable years beginning on or 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

The magnitude of revenue loss associated with this bill is unknown. Based on 2000 Census data for Virginia on means of commuting to work, the potential credits claimed by employees who bicycle to work could be as great at \$1.4 million annually. An unknown amount of additional credits could be claimed by employers who install bicycle racks and showers.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

This bill would establish two income tax credits for the purpose of promoting bicycle commuting. A credit would be created for businesses for 100% of expenditures, up to \$5,000, for installing bicycle racks and showers in their place of business for use by employees who commute using bicycles. A credit would also be create for individuals in the amount of \$15 per month for each month that they use a bicycle to commute to and from work for at least 10 days of that month.

In order to claim this credit, the taxpayer would be required to attach a signed letter from his employer verifying the number of months that he rode his bicycle to and from work to his income tax return. If a taxpayer wishes to file electronically, however, no documents may be attached to the return. The Tax Commissioner would be required to establish guidelines regarding the information to include and the format for the employer signed letter. These guidelines would be exempt from the Administrative Process Act. The guidelines authorized by this bill would allow TAX to develop procedures to verify eligibility for the proposed credit.

cc : Secretary of Finance

Date: 1/16/2007 AMS
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