

# DEPARTMENT OF TAXATION

## 2008 Fiscal Impact Statement

1. **Patron** Patricia S. Ticer

2. **Bill Number** SB 650

3. **Committee** Senate Finance

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Income Tax: Tax Credit for Waste Motor  
Oil / Fluids Reclamation Systems

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would repeal the corporate and individual income tax credit for purchases of waste motor oil burning equipment.

The effective date for this bill is not specified.

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

#### 6b. **Revenue Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2007-08	\$0	GF
2008-09	\$183,000	GF
2009-10	\$183,000	GF
2010-11	\$183,000	GF
2011-12	\$183,000	GF
2012-13	\$183,000	GF
2013-14	\$183,000	GF

7. **Budget amendment necessary:** Yes.

Page 1, Revenue Estimates

### 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 have a positive revenue impact of approximately \$183,000 per year beginning FY 2009. It is estimated that approximately 100 taxpayers would lose the benefit of claiming this credit. This revenue estimate assumes an effective date of taxable years beginning on or after January 1, 2008.

### **9. Specific agency or political subdivisions affected:**

Department of Taxation

### **10. Technical amendment necessary: Yes.**

In order to provide an effective date for this bill, the following technical amendment is suggested.

Page 1, Line 11, after repealed.

Insert: 2. That the provisions of this act shall be effective for taxable years beginning on or after January 1, 2008.

### **11. Other comments:**

#### Current Law

For taxable years beginning on and after January 1, 1999, a credit against individual and corporate income tax is available for those taxpayers who operate businesses in Virginia that accept waste motor oil from the public. The amount of the credit is equal to 50% of the purchase price paid for equipment used exclusively for burning waste motor oil. The total credit allowed to any taxpayer in any taxable year may not exceed \$5,000.

The Department of Environmental Quality must certify that the equipment is used to burn waste motor oil. The taxpayer must submit receipts, invoices or other documentation to substantiate the credit claimed.

Four hundred and ten waste motor oil credits were claimed for taxable years 2003 through 2006. This means that an average of approximately one hundred taxpayers per year took advantage of this credit during that time period. The total amount of credits claimed for the four taxable years was approximately \$693,000, which would mean that the average credit amount was approximately \$1,690.

## Proposal

This bill would repeal the corporate and individual income tax credit for purchases of waste motor oil burning equipment.

The effective date for this bill is not specified.

cc : Secretary of Finance

Date: 1/14/2008 TG  
SB650F161