

**DEPARTMENT OF TAXATION
2009 Fiscal Impact Statement**

1. **Patron** J. Chapman Petersen

3. **Committee** Senate Finance

4. **Title** Income Tax: Green Job Creation Tax Credit

2. **Bill Number** SB 1125

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would allow an income tax credit for each new "green job" that is created by the taxpayer. The amount of the credit would be \$1,000 for each taxable year, not to exceed \$3,000 for each job created that has an annual salary that is \$50,000 or more. The credit would be allowed in the taxable year in which the job had been filled for at least one year, and for the two succeeding years in which the job is continuously filled. This bill would allow any unused credits to be carried over for five taxable years. Any taxpayer that is allowed a major business facility job tax credit would not be allowed to claim this credit.

This bill would be effective for taxable years beginning on or after January 1, 2009, but before January 1, 2014.

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

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 an unknown revenue impact. There is no reliable data available on the number of jobs in Virginia which will be created and qualify for the credit, or the current level of “green employment.” The revenue impact will also depend on how broadly a “green job” will be defined by the Secretary of Commerce and Trade, who is charged with determining a list of jobs that qualify for the credit.

9. Specific agency or political subdivisions affected:

Department of Taxation
Secretary of Commerce and Trade

10. Technical amendment necessary: No.

11. Other comments:

Other States

The Commonwealth of Massachusetts has created a “green jobs” program to support and develop a clean energy industry. Under the “Green Jobs Act”, the Massachusetts Clean Energy Technology Center was created to administer the new the Massachusetts Alternative and Clean Energy Fund. The fund is provided the authority to invest in clean energy technology research and issue seed grants to companies, universities and nonprofits to encourage the creation of clean technology ventures and the training of workers to perform associated green jobs.

Proposal

This bill would allow an income tax credit for each new “green job” that is created by the taxpayer. The amount of the credit would be \$1,000 for each taxable year, not to exceed \$3,000 for each job created that has an annual salary that is \$50,000 or more. The credit would be allowed in the taxable year in which the job had been filled for at least one year, and for the two succeeding years in which the job is continuously filled. This bill would allow any unused credits to be carried over for five taxable years. Any taxpayer that is allowed a major business facility job tax credit would not be allowed to claim this credit.

This bill would require the Secretary of Commerce and Trade to develop a detailed definition and list of jobs that would qualify for the credit. In order to qualify for the credit, a corporation would be required to demonstrate that the job was created by the taxpayer, and that such job was continuously filled during the respective taxable year.

"Green job" would mean employment in industries relating to the field of renewable, alternative energies, including the manufacture and operation of products used to generate electricity and other forms of energy from alternative sources that include geothermal heating systems, solar heating systems, hydropower systems, and biomass and biofuel systems.

For purposes of this bill, "job" would mean employment for an indefinite duration of an employee for which the taxpayer pays the wages and standard fringe benefits for such employee.

This bill would also provide that credits granted to a partnership, limited liability company, or electing small business corporation (S corporation) would be allocated to the individual partners, members, or shareholders, respectively, in proportion to their ownership or interest in such business entities.

This bill would be effective for taxable years beginning on or after January 1, 2009, but before January 1, 2014.

Other Legislation

House Bill 2374 would allow an income tax credit for each new "Renewable Energy Job" that is created by the taxpayer. The amount of the credit would be 2% of each annual salary that is less than \$50,000, and \$1,000 for each annual salary that is \$50,000 or more.

Senate Bill 1357 would modify the types of jobs for which a corporation would be required to create in order to qualify for the clean fuel vehicle job creation tax credit.

cc : Secretary of Finance

Date: 1/22/2009 TLG
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