DEPARTMENT OF TAXATION
2010 Fiscal Impact Statement

1. Patron James W. Morefield

2. Bill Number HB 853

House of Origin:
X **Introduced**
____ **Substitute**
____ **Engrossed**

3. Committee House Finance

4. Title Income Tax: Major Business Facility Job Tax Credit

Second House:
____ **In Committee**
____ **Substitute**
____ **Enrolled**

5. Summary/Purpose:

This bill would reduce the number of qualified full-time jobs needed to qualify for the Major Business Facility Job Tax Credit in economically distressed areas or enterprise zones from 50 to 25.

This bill would provide that this change would only be applicable for qualified full-time employees hired on or after January 1, 2010.

6. Fiscal Impact Estimates are: Preliminary. (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 have an unknown negative impact on General Fund revenue. There is not sufficient data regarding the number of jobs that will be created in economically distressed areas and enterprise zones to produce a reliable revenue impact. Our current data shows that in Taxable Year 2008, four employers qualified for the Major Business Facility Job

Tax Credit at the 50-employee threshold. If the threshold had been 25 employees at that time, these taxpayers would have received a total additional credit amount of $100,000.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Major Business Facility Jobs Tax Credit

Individuals, estates, trusts, corporations, banks, and insurance companies may claim a Virginia tax credit if the taxpayer creates at least 100 new full-time jobs in connection with the establishment or expansion of a major business facility, and the company is engaged in a qualifying industry in Virginia. If a taxpayer is located in an enterprise zone or in an economically distressed area (as defined by the Virginia Economic Development Partnership) or enterprise zone, the threshold is reduced from 100 to 50. Credits will be recaptured proportionately if employment decreases during the five years following the initial credit year.

This nonrefundable credit is equal to $1,000 per each qualifying new job in excess of the 100/50 job threshold and is spread over three years. The credit only applies to facilities where an announcement to expand or establish such a facility was made on or after January 1, 1994.

The credit must be claimed ratably over three taxable years, beginning with the taxable year following the year in which the facility is established or expanded, or the new qualifying jobs are added. Unused credits may be carried forward for the next ten taxable years.

Effective for taxable years beginning on January 1, 2009, through December 31, 2010, taxpayers are allowed to claim the credit amount over two years instead of three.

Proposed Legislation

This bill would reduce the number of qualified full-time jobs needed to qualify for the Major Business Facility Job Tax Credit in economically distressed areas or enterprise zones from 50 to 25.

This bill would provide that this change would only be applicable for qualified full-time employees hired on or after January 1, 2010.

Other Legislation

House Bill 1091 and Senate Bill 481 are identical to this bill.

House Bill 237 would provide a one-time income tax credit to individuals, partnerships and limited liability companies that create at least 10 new positions in the Commonwealth, and fill them for at least 24 consecutive months prior to the taxable year for which the credit is claimed. The amount of the credit would be equal to 10% of the Virginia gross income of the entity creating the jobs.

House Bill 624 and Senate Bill 472 would increase the tax credit per qualified full-time employee allowed under the Major Business Facility Job Tax Credit from $1,000 to $2,000, and reduce the number of qualified full-time jobs that would need to be created to earn the credit from 100 to 50. These bills would also reduce the number of qualified full-time jobs needed to qualify in an economically distressed area from 50 to 25.

cc : Secretary of Finance

Date: 1/17/2010 TG
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