

DEPARTMENT OF TAXATION

2010 Fiscal Impact Statement

1. **Patron** John C. Miller

3. **Committee** Senate Finance

4. **Title** Income Tax: Renewable Energy Creation
Tax Credit

2. **Bill Number** SB 143

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 "Renewable Energy Job" that is created by the taxpayer. The amount of the credit would be \$1,000 for each taxable year for each job created that has an annual salary that is \$50,000 or more. The credit would be allowed in the taxable year following the 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. 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, 2010, but before January 1, 2015.

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 “Renewable Energy 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: Yes.

If the intent of this bill is to create an income tax credit applicable only to corporate income taxpayers, the following technical amendment is suggested:

Page 1, Line 15, after pursuant to §
Strike: 58.1-320 or

11. Other comments:

Federal Tax Credit

The American Recovery and Reinvestment Act includes a tax credit for investments in manufacturing facilities for clean energy technologies as a way to foster investment and job creation in clean energy manufacturing. The Act allows a credit equal to 30% of the investments made to facilities that manufacture clean energy, capped at \$2.3 billion.

Currently, there are 183 manufacturing facilities for clean energy products across 43 states that have been approved for the credit. The tax credits were allocated on a competitive basis, and were approved based on the following criteria: commercial viability, domestic job creation, technological innovation, speed to project completion, and potential for reducing air pollution and greenhouse gas emissions. The Department of Energy also considered additional factors including diversity of geography, technology and project size, and regional economic development.

There is currently one company, AAF-McQuay, Inc., located in Verona, Virginia, that has been approved to claim the credit for its efforts to re-equip one of its manufacturing facilities to produce energy-efficient centrifugal chiller rooftop air conditioning systems.

Other States

In 2008, the Commonwealth of Massachusetts 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 used 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 "Renewable Energy Job" that is created by the taxpayer. The amount of the credit would be \$1,000 for each taxable year for each job created that has an annual salary that is \$50,000 or more. The credit would be allowed in the taxable year following the 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. 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.

"Renewable Energy 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 the full-time employment of an individual in Virginia by a corporation for at least 1,960 hours during the taxable year whose primary work activity is related directly to the field of renewable, alternative energies.

This bill would also provide that for a partnership or limited liability company, the credit would be allocated to the corporate partners or corporate members in proportion to their ownership or interest in the partnership or limited liability company.

This bill would be effective for taxable years beginning on or after January 1, 2010, but before January 1, 2015.

Other Legislation

House Bill 268 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.

House Bill 803 would allow an income tax credit for each new "green job" that is created and maintained by the taxpayer. The amount of the credit would be \$500 for each position that is created.

House Bill 1132 would allow an income tax credit for each new "renewable energy job" that is created and maintained by the taxpayer. The amount of the credit would be \$2,000 for each position that is created.

cc : Secretary of Finance

Date: 1/17/2010 TG
SB143F161