

DEPARTMENT OF TAXATION

2012 Fiscal Impact Statement

1. **Patron** G. Manoli Loupassi

3. **Committee** House Finance

4. **Title** Machinery and equipment recyclable materials tax credit; materials used by certain manufacturers

2. **Bill Number** HB 105

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would extend the existing recyclable materials income tax credit so that it may be claimed for certain machinery and equipment used in a manufacturing facility or plant unit that produces methane gas for sale through anaerobic digestion. To qualify, such machinery and equipment would be required to be purchased in the taxable year and be used exclusively in or on the premises of a manufacturing facility or plant unit within the Commonwealth. Such credit would be allowed only if the other general conditions of the existing credit are met.

This provision would be effective for taxable years beginning on or after January 1, 2012, but before January 1, 2015.

6. **Budget amendment necessary:** Yes.

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7. **Fiscal Impact Estimates are:** Unknown. (See Line 8.)

8. **Fiscal implications:**

Administrative Costs - Department of Taxation

The Department of Taxation ("the Department") considers implementation of this bill as routine, and does not require additional funding.

Administrative Costs - Department of Environmental Quality

The Department of Environmental Quality ("DEQ") has indicated that it would not likely incur administrative costs as a result of this bill.

Revenue Impact

This bill would have an unknown negative revenue impact. The extent of the revenue impact depends on the number of taxpayers that would claim this credit for machinery

and equipment used in the production of methane gas for sale through anaerobic digestion, as well as the purchase price of such machinery and equipment. Based upon the fact that the production of methane gas for sale through anaerobic digestion is extremely limited in Virginia, any revenue loss would be minimal.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Environmental Quality

10. Technical amendment necessary: No.

11. Other comments:

Current Law

The credit for recyclable materials processing equipment is an income tax credit that is claimed for purchases made during the taxable year for machinery and equipment used exclusively in or on the premises of manufacturing facilities or plant units that manufacture, process, compound or produce items of tangible personal property from recyclable materials within the Commonwealth for sale. The credit is 10% of the qualifying expenditures and cannot exceed 40% of the Virginia income tax liability for the year. The credit may be claimed for the taxable year in which the qualifying purchase was made. Unused credits may be carried over for the next 10 succeeding taxable years from the date that the credit was first allowable, until the total credit is used.

DEQ must certify that the equipment is integral to the recycling process before the taxpayer is entitled to claim the credit. The taxpayer is also required to submit purchase receipts, invoices, and other documentation as may be necessary to confirm the purchase price paid.

Proposal

This bill would extend the existing recyclable materials tax credit so that it may be claimed for certain machinery and equipment used in a manufacturing facility or plant unit that produces methane gas for sale through anaerobic digestion. To qualify, such machinery and equipment would be required to be purchased in the taxable year and be used exclusively in or on the premises of a manufacturing facility or plan within the Commonwealth. Such credit would be allowed only if the other general conditions of the credit are met.

This provision would be effective for taxable years beginning on or after January 1, 2012, but before January 1, 2015.

cc : Secretary of Finance

Date: 1/18/2012 KLC
HB105F161