

DEPARTMENT OF TAXATION

2012 Fiscal Impact Statement

1. **Patron** David E. Yancey

2. **Bill Number** HB 720

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Income Tax: Worker Retraining Tax Credit

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would increase the worker retraining tax credit for worker retraining courses taken by employees at private schools from a maximum of \$100 per year per employee to \$250 per year per employee, and \$500 per year per employee if the worker retraining includes retraining in a STEM or STEAM (science, technology, engineering, mathematics, or applied mathematics) discipline or a healthcare related discipline.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.

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

8. **Fiscal implications:**

Administrative Costs

The Department believes it could implement this bill as part of its routine annual changes to systems and forms and is not requesting funding at this time, but may revise this later in the session after analyzing all state tax legislation.

Revenue Impact

This bill would have an unknown negative impact on General Fund revenue. The worker retraining tax credit is not a widely used credit and the revenue loss associated with it has been minimal in past years. According to the 2010 Annual Report, there were eight returns claiming a total of \$29,640. This bill would allow businesses to claim a greater credit amount, but it is unknown how many additional businesses would claim the credit, or the number of new businesses and employees that would become eligible for the higher credit amount for retraining in a STEM or STEAM discipline. The worker retraining tax credit is currently capped at \$2.5 million annually.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Worker Retraining Tax Credit

The Worker Retraining Tax Credit allows an employer to claim a tax credit against individual income tax, estate and trust tax, corporate income tax, bank franchise tax, and taxes imposed on insurance companies and utility companies, for the training costs of providing eligible worker retraining to qualified employees.

Eligible worker retraining includes approved non-credit courses provided by any of the Commonwealth's community colleges or a private school. It also includes credit or non-credit retraining courses undertaken through an apprenticeship agreement approved by the Virginia Apprenticeship Council.

The credit is equal to 30 percent of all classroom training costs but is limited to \$100 per student if the course work is incurred at a private school. The total amount of tax credits that the Department of Taxation is allowed to authorize is \$2.5 million annually.

Proposal

This bill would increase the worker retraining tax credit for worker retraining courses taken by employees at private schools from a maximum of \$100 per year per employee to \$250 per year per employee, and \$500 per year per employee if the worker retraining includes retraining in a STEM or STEAM (science, technology, engineering, mathematics, or applied mathematics) discipline or a healthcare related discipline.

The effective date of this bill is not specified.

Similar Bills

House Bill 1041 would create an individual and corporate income tax credit for each new full-time job created and filled by a veteran with an annual salary of at least \$50,000. The amount of the credit would be equal to \$500 for each new full-time job that is filled with a returning military veteran, or \$1,000 if the new full-time job that is filled with a disabled military veteran.

House Bill 1049 would create an individual and corporate income tax credit for taxpayers employing persons in STEM internship positions in the Commonwealth. The credit would be equal to 25 percent of the wages or salary paid to the intern. The total amount of tax credits that may be allocated in a fiscal year would be limited to \$2 million.

House Bill 1050 would create an individual and corporate income tax credit for taxpayers employing former military persons in STEM internship positions in the Commonwealth. The credit would be equal to 25 percent of the wages or salary paid to the intern. The total amount of tax credits that may be allocated in a fiscal year would be limited to \$2 million.

cc : Secretary of Finance

Date: 1/18/2012 tlg
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