

DEPARTMENT OF TAXATION

2012 Fiscal Impact Statement

1. **Patron** Matthew James

2. **Bill Number** HB 841

3. **Committee** Passed House and Senate

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

4. **Title** Major business facility job tax credits and enterprise zone job creation grants

Second House:

☐ In Committee

☐ Substitute

☒ Enrolled

5. **Summary/Purpose:**

This bill would clarify the existing prohibition to a business receiving both an Enterprise Zone Grant and a Major Business Facility Jobs Tax Credit by allowing a qualifying business to receive both a grant and a tax credit, provided, however, that a grant and a tax credit cannot be claimed with respect to the same jobs.

The provisions of this bill related to the Major Business Facility Jobs Tax Credit would be effective for taxable years beginning on or after January 1, 2012. The provisions of this bill related to Enterprise Zone Job Creation Grants would be effective beginning with the 2012 grant year.

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

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

8. **Fiscal implications:**

Administrative Costs

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

The Department of Housing and Community Development ("DHCD") would be able to absorb the administrative costs of this bill and does not require additional funding.

Revenue Impact

This bill would have an unknown, but likely minimal, revenue impact. The extent of the impact depends on the number of taxpayers that would become eligible for the Major Business Facility Jobs Tax Credit under this bill, as well as the amount of tax credits that would be claimed by these taxpayers. Because this bill would not allow taxpayers to claim both a Major Business Facility Jobs Tax Credit and Enterprise Zone Grant for the same jobs, the impact would likely be minimal.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Housing and Community Development

10. Technical amendment necessary: No.

11. Other comments:

Major Business Facility Job Tax Credit

Businesses may claim the Major Business Facility Job Tax Credit for the creation of at least 50 new full-time jobs in connection with the establishment or expansion of a major business facility. If the business is located in an enterprise zone or in an economically distressed area (as defined by the Virginia Economic Development Partnership), the threshold is reduced from 50 jobs to 25. Credits are recaptured proportionately if employment decreases during the five years following the initial credit year.

The Major Business Facility Job Tax Credit is equal to \$1,000 for each qualifying new job in excess of 50 jobs (25 jobs for a taxpayer located in an enterprise zone or economically distressed area). The credit must generally 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. However, effective for taxable years beginning January 1, 2009 through December 31, 2012, taxpayers are allowed to claim the credit amount over two years instead of three. Unused credits may be carried forward for the next ten taxable years.

Enterprise Zone Job Creation Grant Program

Qualified business firms that are located in enterprise zones are eligible to receive Enterprise Zone Job Creation Grants in an amount equal to either (i) \$800 per year for up to five consecutive years for each grant eligible position that during such year is paid a minimum of 200 percent of the federal minimum wage and that is provided with health benefits, or (ii) \$500 per year for up to five years for each grant eligible position that during such year is paid less than 200 percent of the federal minimum wage, but at least 175 percent of the federal minimum wage, and that is provided with health benefits. In areas with an unemployment rate that is one and one-half times or more the state average, the business firm is eligible to receive \$500 per year for up to five years for each grant eligible position that during such year is paid at least 150 percent of the federal minimum wage and that is provided with health benefits. A business firm may receive grants for up to a maximum of 350 grant eligible jobs annually.

Currently, any qualified business firm receiving an Enterprise Zone Job Creation Grant is not eligible to receive a Major Business Facility Job Tax Credit.

Proposal

This bill would allow a qualifying business to receive both a Major Business Facility Job Tax Credit and an Enterprise Zone Job Creation Grant. However, it would prohibit a business from claiming the Major Business Facility Job Tax Credit and receiving an Enterprise Zone Job Creation Grant for the same jobs.

The provisions of this bill related to the Major Business Facility Job Tax Credit would be effective for taxable years beginning on or after January 1, 2012. The provisions of this bill related to Enterprise Zone Job Creation Grants would be effective beginning with the 2012 grant year.

Similar Legislation

House Bill 714 and **Senate Bill 368** would extend the time during which the major business facility job tax credit may be taken over a two-year period.

cc : Secretary of Finance

Date: 3/7/2012 KLC
HB841FER161