

DEPARTMENT OF TAXATION

2012 Fiscal Impact Statement

1. **Patron** David I. Ramadan

3. **Committee** House Finance

4. **Title** Telework tax credit

2. **Bill Number** HB 999

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would create an individual income tax credit for taxpayers who telework. The credit would be equal to \$500. In order to be eligible for the credit, the taxpayer would be required to submit certification from the taxpayer's employer to the Department certifying that the taxpayer teleworked at least 20 hours a week during at least 45 weeks in the taxable year for which the credit is claimed.

The amount of credit would not be permitted to exceed the taxpayer's tax liability. The credit would not be permitted to be carried forward or carried back.

This credit would be effective for taxable years beginning on or after January 1, 2012, but before January 1, 2017.

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

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7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

7b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2011-12	\$0	GF
2012-13	(\$106.3 million)	GF
2013-14	(\$106.3 million)	GF
2014-15	(\$106.3 million)	GF
2015-16	(\$106.3 million)	GF
2016-17	(\$106.3 million)	GF
2017-18	\$0	GF

8. **Fiscal implications:**

Administrative Costs

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

The Department will provide specific administrative costs on any legislation that is not “routine.” Additionally, the Department 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, the Department will identify the costs at that time.

Revenue Impact

This bill would have an annual negative revenue impact of approximately \$106.3 million in FY 2013, FY 2014, FY 2015, FY 2016, and FY 2017. This forecast is based on an estimate of the number of Virginia teleworkers who report Virginia income and telework at least 20 hours per week. Based on national data, it is estimated that about 285,000 Virginia workers currently telework at least 20 hours a week. Of these workers, about 212,000 report sufficient Virginia income to be able to use the \$500 credit.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Telework Expenses Tax Credit

The Telework Expenses Tax Credit is an individual and corporate income tax credit for employers that incur eligible telework expenses. There are two parts to the credit. Employers can claim a credit for eligible telework expenses incurred during the 2012 and 2013 calendar years, not to exceed \$1,200 per eligible teleworking employee. Employers can also claim up to \$20,000 for the costs of conducting a telework assessment. The total amount of the Telework Expenses Tax Credit claimed by an employer cannot exceed \$50,000 for the 2012 and 2013 calendar years. The portion of the credit for conducting a telework assessment can only be claimed once by an employer. The total amount of credits is currently capped at \$1 million annually for the 2012 and 2013 taxable years.

For purposes of the Telework Expenses Tax Credit, “telework” is defined as the performance of normal and regular work functions on a workday at a location different from the place where work functions are normally performed and that is within or closer to the participating employee’s residence. The term does not include home-based businesses, extensions of the workday, or work performed on a weekend or holiday.

To qualify for a credit for eligible telework expenses, the employer must enter into a signed telework agreement with the teleworking employee on or after July 1, 2012, but

before January 1, 2014. This telework agreement must be in accordance with policies set by the Department of Rail and Public Transportation.

To receive the credit, taxpayers must submit a reservation application to the Department between September 1 and October 31 of the year preceding the taxable year for which the tax credit is to be earned. If reservation applications for the year exceed the \$1 million credit cap, tentative credits are allocated to taxpayers on a pro rata basis. Once an employer has actually incurred eligible expenses, it must submit a final application to the Department in order to an actual credit allocation. If applications for credit allocations exceed the credit cap, the Department allocates credit to taxpayers on a pro rata basis.

The amount of credit claimed cannot exceed the tax liability of the taxpayer and unused credit amounts cannot be carried forward to future taxable years. Taxpayers cannot claim this credit if any other income tax credit was also claimed or if the qualified expenses are deducted by the taxpayer in any taxable year.

Proposal

This bill would create an individual income tax credit for taxpayers who telework. The credit would be equal to \$500. In order to be eligible for the credit, the taxpayer would be required to submit certification from the taxpayer's employer to the Department certifying that the taxpayer teleworked at least 20 hours a week during at least 45 weeks in the taxable year for which the credit is claimed.

The amount of credit would not be permitted to exceed the taxpayer's tax liability. The credit would not be permitted to be carried forward or carried back.

For purposes of this credit, "telework" would be defined as the performance of normal and regular work functions on a workday at a location different from the place where work functions are normally performed and that is within or closer to the taxpayer's residence. Telework would not include the performance of work functions for a home-based business or by a taxpayer who is self-employer. The term would also exclude extensions of the workday or work performed on a holiday or weekend.

Nothing in this bill would prohibit an employer from claiming the Telework Expenses Tax Credit for an employee who claims the proposed individual telework tax credit.

This credit would be effective for taxable years beginning on or after January 1, 2012, but before January 1, 2017.

Similar Legislation

House Bill 551 and **Senate Bill 238** would extend the sunset date for the Telework Expenses Tax Credit to taxable years beginning before January 1, 2016.

House Bill 1000 would increase the annual cap of the Telework Expenses Tax Credit from \$1 million to \$1.5 million and increase the per taxpayer maximum from \$50,000 to \$75,000.

cc : Secretary of Finance

Date: 2/2/2012 KLC
HB999F161