

DEPARTMENT OF TAXATION
2012 Fiscal Impact Statement

1. **Patron** Charles W. Carrico, Sr.

2. **Bill Number** SB 609

3. **Committee** House Finance

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Coalfield employment enhancement tax
credit; extends sunset date

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would extend the sunset date for the Coalfield Employment Enhancement Tax Credit from taxable years beginning before January 1, 2015 to taxable years beginning before January 1, 2017.

This bill would require the Department of Taxation ("the Department") to submit a report concerning the Coalfield Employment Enhancement Tax Credit to the House Appropriations, House Finance, and Senate Finance Committees no later than November 15 of the year immediately preceding the sunset date.

The effective date of this bill is not specified.

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

7. **No Fiscal Impact.** (See Line 8.)

8. Fiscal implications:

Administrative Costs

There would be no administrative costs in connection with extending the sunset date. However, this bill would also require the Department to submit a report by November 15 of the year before the expiration of this tax credit. In order to produce the report, the Department would have to modify its forms and systems to capture additional data, and begin accumulating data and conducting surveys soon after the bill becomes effective. If present staff is diverted to the proposed study, then the Department would not have the resources to continue performing other critical work. The Department will be submitting an analysis of staffing needs to staff of the money committees that addresses how to obtain the resources necessary to conduct the proposed studies.

Revenue Impact

This bill would have no revenue impact, as the revenue forecast generally assumes that expiring credits will be extended. Coalfield credits may currently be earned through Taxable Year 2014. The credit may be claimed in the third taxable year following the taxable year in which the credit is earned and allowed. Accordingly, credits earned in Taxable Year 2014 would be claimed when the return for Taxable Year 2017 is filed in Fiscal Year 2018. Under this bill, credits earned in Taxable Years 2015 and 2016 would be claimed when returns for Taxable Years 2019 and 2020 are filed in Fiscal Years 2020 and 2021.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Coalfield Employment Enhancement Tax Credit

The Coalfield Employment Enhancement Tax Credit provides a credit against any tax imposed by the Commonwealth to Virginia producers of coal and coal methane gas. Two credits are available for coal mining, one for underground mines and another for surface mined coal. For coal mined underground, the credit amount varies according to the seam thickness mined. The credit is equal to \$2.00 per ton for a seam thickness of 36 inches or less and \$1.00 per ton for a seam thickness greater than 36 inches. Seam thickness is certified by the Department of Mines, Minerals and Energy. A credit of \$0.40 per ton is permitted for coal mined by surface mining methods. Also available is a credit for coal methane gas producers of \$0.01 per million BTU's of gas produced.

The credit is claimed in the third taxable year following the taxable year in which the credit was earned and allowed. To the extent the credit exceeds income tax liability, the excess is refundable up to 85 percent of the face value of the credit. The remaining 15 percent is deposited in a regional fund administered by the Coalfield Economic Development Authority.

The Coalfield Employment Enhancement Tax Credit is currently available for taxable years beginning on or after January 1, 1996 but before January 1, 2015.

Current Tax Credit Reports

The Department issues an annual Corporate Tax Preferences Report to the members of the House Appropriations, House Finance, and Senate Finance Committees. Among other data, this report includes the dollar amount of corporate income credits claimed by corporations. This report also includes summary information regarding the types of taxpayers that claim corporate income tax relief. The most recent report is R.D. 238.

Beginning in 2011, the Department publishes an annual fiscal year tax credit report as part of its annual report. This report shows the number of individual and corporate

taxpayers that claim each tax credit and the dollar amount of tax credits that are claimed each fiscal year. The most recent report can be found on the Department's website at www.tax.virginia.gov.

Proposal

This bill would extend the sunset date for the Coalfield Employment Enhancement Tax Credit from taxable years beginning before January 1, 2015 to taxable years beginning before January 1, 2017.

This bill would require the Department of Taxation to submit a report concerning the Coalfield Employment Enhancement Tax Credit to the House Appropriations, House Finance, and Senate Finance Committees no later than November 15 of the year immediately preceding the sunset date. Such report would include the following information:

- The number of persons, individuals, or other classes of taxpayers claiming the Coalfield Employment Enhancement Tax Credit in each of the immediately preceding five years;
- The aggregate amount of credits claimed in each of the preceding five years by each class of taxpayers;
- The average amount of credit claimed by each class of taxpayers in each of the preceding five years;
- The average amount of taxes paid, after claiming any credits or deductions, by each class of taxpayers claiming the tax credit in each of the preceding five years;
- Any noted trends in the use of the tax credit; and
- Any other information deemed relevant by the Department.

All other agencies of the Commonwealth involved in the administration of the credit would be required to provide information requested by the Department.

Although the bill would require the report to provide information on the preceding five taxable years, data for only three taxable years of the credit would be available by November 15, 2016. The first returns for the 2012 taxable year would be due April 15, 2013, but taxpayers may elect a six-month extension until October 15, 2013. In addition, taxpayers reporting on a fiscal year that begins during calendar year 2012 could be filing under an extended due date as late as September 15, 2014, and the Department would need a few months to process, validate and analyze the data. Therefore, by November 15, 2016, the Department would have data for taxable years 2012, 2013, and most of 2014.

This bill requires information regarding the average amount of taxes paid after claiming any credits or deductions by each class of taxpayers claiming the credit. Because the Coalfield Employment Enhancement Tax Credit is refundable, many taxpayers claiming this credit pay no taxes after taking into account credits and deductions.

The effective date of this bill is not specified.

Similar Legislation

House Bill 1192 would eliminate the sunset date for the Coalfield Employment Enhancement Tax Credit.

cc : Secretary of Finance

Date: 2/14/2012 KLC
SB609FE161