

DEPARTMENT OF TAXATION

2013 Fiscal Impact Statement

1. **Patron** Michael B. Watson

3. **Committee** House Finance

4. **Title** Tax Credit for Donations of Machinery and Equipment to Community Colleges and Vocational Schools

2. **Bill Number** HB 1767

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would create an individual and corporate income tax credit for businesses that donate new machinery and equipment or like-new machinery and equipment in good working condition to a community college or vocational school that would be principally used in Virginia in teaching or training students of such college or school. This credit would be equal to 20 percent of the purchase price paid by the business to acquire the machinery and equipment, but not to exceed an aggregate credit of \$5,000 for all such donations of the business during such year. Any unused credit amounts could be carried over for five taxable years.

This tax credit would be effective for taxable years beginning on or after January 1, 2013, but before January 1, 2018.

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

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

8. **Fiscal implications:**

Administrative Costs – Department of Taxation

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.

Administrative Costs – SCHEV

The State Council of Higher Education for Virginia (“SCHEV”) would not incur any administrative costs as a result of this bill, since it already maintains a list of vocational schools.

Revenue Impact

This bill would have an unknown General Fund revenue impact beginning in Fiscal Year 2014. This impact would depend on the number of taxpayers donating machinery or equipment to community colleges and vocational schools, as well as the value of such donations.

9. Specific agency or political subdivisions affected:

Department of Taxation
State Council of Higher Education for Virginia

10. Technical amendment necessary: No.

11. Other comments:

Proposed Legislation

This bill would create an individual and corporate income tax credit for businesses that donate new machinery and equipment or like-new machinery and equipment in good working condition to a community college or vocational school that would be principally used in Virginia in teaching or training students of such college or school. This credit would be equal to 20 percent of the purchase price paid by the business to acquire the machinery and equipment, but not to exceed an aggregate credit of \$5,000 for all such donations of the business during such year. Any unused credit amounts could be carried over for five taxable years.

For purposes of this credit, “machinery and equipment” would be defined as engines, machines, motors, mechanical devices, laboratory trainers, computers, printers, tools, parts, and similar machinery and equipment as set forth in guidelines developed by the Department.

A qualifying community college would include any community college that is part of the Virginia Community College System. A qualifying “vocational school” would be defined as any entity offering formal instructional programs of study (i) that is certified to operate in Virginia by SCHEV or that is exempt from such certification requirement and whose instructional programs do not lead to an associate or higher level degree, or (ii) that offers career or technical education administered by the Department of Education.

In order to claim the credit, the business would be required to attach a written certification made by the donee community college or vocational school to its income tax return. The written certification prepared by the done community college or vocational school would be required to identify the done community college or vocational school, the business

donating the machinery and equipment, the date of the donation, and the number of units of each item of machinery and equipment donated. The certification would also be required to include a statement by the done community college or vocational school that the machinery and equipment will be principally used in Virginia in teaching or training students of the done community college or vocational school.

Credits granted to a partnership, limited liability company, or electing small business corporation (S corporation) would be allocated to the individual partners, members, or shareholders, respectively, in proportion to their ownership or interest in such business entities.

The Department would be required to maintain on its website a list of machinery and equipment that qualifies for this credit. SCHEV would be required to maintain on its website a list of vocational schools to which donations of machinery and equipment may qualify for this credit. Each list would be updated by the respective organization as necessary.

The Tax Commissioner would be required to develop guidelines implementing the provisions of this bill. Such guidelines would be exempt from the Administrative Process Act.

This tax credit would be effective for taxable years beginning on or after January 1, 2013, but before January 1, 2018.

Similar Legislation

House Bill 1512 would create an income tax subtraction for income from the lease of a building to a local public school division.

House Bill 1996 and **Senate Bill 1227** would make changes to the Education Improvement Scholarships Tax Credit and the Neighborhood Assistance Act Tax Credit.

Senate Bill 749 would create an income tax credit for contributions to STEM organizations for use in science, technology, engineering, and math (STEM) programs at qualified public schools.

Senate Bill 848 would create a tax credit for scholarships to students attending Virginia two-year colleges.

Senate Bill 1000 would repeal the Education Improvement Scholarships Tax Credit.

Senate Bill 1009 would make several changes to the Neighborhood Assistance Act Tax Credit.

Senate Bill 1206 would amend several of the requirements imposed on schools and scholarship foundations for purposes of the Education Improvement Scholarships Tax Credit.

cc : Secretary of Finance

Date: 1/17/2013 KLC
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