

DEPARTMENT OF TAXATION 2013 Fiscal Impact Statement

1. **Patron** David E. Yancey

3. **Committee** House Finance

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

2. **Bill Number** HB 1923

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would increase the Worker Retraining Tax Credit for eligible worker retraining courses taken by qualified employees at private schools from a maximum of \$100 per year per qualified employee to \$250 per year per qualified employee, or \$500 per year per qualified employee if the worker retraining includes retraining in a STEM or STEAM 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 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 unknown negative General Fund revenue impact. Although this credit is capped at \$2.5 million, the amount of credits currently claimed is significantly below this amount. According to the Department's 2010 Annual Report, there were eight returns claiming a total of \$29,640. The amount of credit claimed was not reported on the Department's Fiscal Year 2012 Annual Report due to disclosure guidelines.

This bill would allow businesses to claim a greater tax credit amount, but it is unknown how many additional businesses would claim the tax credit, or the number of new businesses and employees that would become eligible for the higher tax credit amount for retraining in a STEM or STEAM discipline.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Business Assistance
Department of Education

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 the individual income tax, estates and trusts tax, corporate income tax, bank franchise tax, insurance premiums license tax, and license tax on telegraph, telephone, water, heat, light, power, and pipeline companies, for the costs of providing eligible worker retraining to qualified employees.

"Eligible worker retraining" is defined as the retraining of a qualified employee that promotes economic development in the form of (i) noncredit courses at any of the Commonwealth's community colleges or a private school or (ii) worker retraining programs undertaken through an apprenticeship agreement approved by the Virginia Apprenticeship Council.

"Qualified employee" is defined as an employee of an employer eligible for the Worker Retraining Tax Credit in a full-time position requiring a minimum of 1,680 hours in the entire normal year of the employer's operations if the standard fringe benefits are paid by the employer for the employee. Employees in seasonal or temporary positions do not qualify as qualified employees. Further, qualified employees (i) may not be a relative of any owner or the employer claiming the tax credit and (ii) may not own, directly or indirectly, more than five percent in value of the outstanding stock of a corporation claiming the tax credit.

The tax credit is equal to 30 percent of all expenditures paid or incurred by the employer during the taxable year for eligible worker retraining, but cannot exceed \$100 per qualified employee per year if the eligible worker retraining consists of courses conducted at a private school. The Department of Taxation may not grant more than \$2.5 million in tax credits per fiscal year.

Proposal

This bill would increase the Worker Retraining Tax Credit for eligible worker retraining courses taken by qualified employees at private schools from a maximum of \$100 per year per qualified employee to \$250 per year per qualified employee, or \$500 per year per qualified employee if the worker retraining includes retraining in a STEM or STEAM discipline.

“STEM or STEAM discipline” would mean a science, technology, engineering, mathematics, or applied mathematics related discipline as determined by the Department of Business Assistance in consultation with the Superintendent of Public Instruction. The term would also include a health care related discipline.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/17/2013 MTH
HB1923F161