

# DEPARTMENT OF TAXATION

## 2013 Fiscal Impact Statement

1. **Patron** David E. Yancey

3. **Committee** Senate Finance

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

2. **Bill Number** HB 1923

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

**Second House:**

  X   **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 \$200 per year per qualified employee, or \$300 per year per qualified employee if the worker retraining includes retraining in a STEM or STEAM discipline including, but not limited to industry-recognized credentials, certificates, and certifications.

This bill would also add a sunset date to the Worker Retraining Tax Credit, which would allow taxpayers to claim the tax credit for taxable years beginning on and after January 1, 1999, but prior to January 1, 2018.

This bill would be effective for taxable years beginning on or after January 1, 2013.

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

7. **Fiscal Impact Estimates are:** 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.

#### Revenue Impact

This bill would have an unknown negative General Fund revenue impact. Although this tax credit is capped at \$2.5 million annually, the amount of tax credits currently claimed is significantly below this amount. According to the Department's 2010 and 2012 Annual Reports, during Fiscal Years 2010 and 2012, there were an average of nine returns claiming an average of \$105,750. The amount of tax credit claimed was not reported on the Department's Fiscal Year 2011 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 for taxable years beginning on and after January 1, 1999, 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 \$200 per year per qualified employee, or \$300 per year per qualified employee if the worker retraining includes retraining in a STEM or STEAM discipline including, but not limited to industry-recognized credentials, certificates, and certifications.

This bill would add a sunset date to the Worker Retraining Tax Credit, which would allow taxpayers to claim the tax credit for taxable years beginning on and after January 1, 1999, but prior to January 1, 2018.

A “STEM or STEAM discipline” would be defined as 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.

This bill would be effective for taxable years beginning on or after January 1, 2013.

cc : Secretary of Finance

Date: 2/1/2013 MTH  
HB1923FE161