

DEPARTMENT OF TAXATION

2013 Fiscal Impact Statement

1. **Patron** Walter A. Stosch

2. **Bill Number** SB 1296

3. **Committee** Senate Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Unclaimed Tax Credit Report

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would deem tax credits that have not been claimed by any taxpayer during the five preceding calendar years obsolete and would preclude the Department from authorizing taxpayers to claim such tax credits except as expressly authorized by the General Assembly. This bill would not prevent the lawful carryover or transfer of a tax credit previously authorized by the Department.

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

Because this bill would not affect the carryforward of unused tax credits that would be deemed obsolete, it would have no General Fund revenue impact.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: Yes.

Under this bill, tax credits would only be considered claimed in the calendar year in which a taxpayer first claimed the tax credit. This limitation could be interpreted as only counting the first time that a taxpayer claims a particular tax credit. Therefore, taxpayers who claim the same tax credit multiple times would not be reported as having claimed the tax credit for the purposes of this bill in subsequent years in which they actually did claim the tax credit.

To address this issue, the Department suggests the following technical amendment:

Line 21, before claimed
Strike: first

11. Other comments:

Background

Virginia currently offers thirty-four tax credits to taxpayers. Of these tax credits, the Day-Care Facility Investment Credit and the Tax Credit for Certain Employers Hiring Recipients of Temporary Assistance to Needy Families were not claimed during Fiscal Years 2010 through 2012. The Tax Credit for Certain Employers Hiring Recipients of Temporary Assistance to Needy Families requires a direct appropriation by the General Assembly in order for taxpayers to claim the tax credit, but it has never been funded. Further, the Green Job Creation Tax Credit, which became available in Taxable Year 2010, was not claimed in Fiscal Years 2011 or 2012.

Proposed Legislation

This bill would deem tax credits that have not been claimed by any taxpayer during the five preceding calendar years obsolete and would preclude the Department from authorizing taxpayers to claim such tax credits except as expressly authorized by the General Assembly. For the purposes of this bill, a tax credit would be considered to have been claimed in the calendar year in which it was first claimed by a taxpayer. The carryover or transfer of a tax credit in a subsequent taxable year would not alter the date on which a tax credit was claimed. This bill would not prevent the lawful carryover or transfer of a tax credit previously authorized by the Department.

This bill would require the Department to report the tax credits that were deemed obsolete to the House Committee on Appropriations, the House Committee on Finance, and the Senate Committee on Finance no later than February 1 of each year and to publish the report on its website. The report would also be required to be submitted to the Division of Legislative Automated Systems pursuant to Va. Code § 30-34.15.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/21/2013 MTH
SB1296F161