

# DEPARTMENT OF TAXATION

## 2015 Fiscal Impact Statement

1. **Patron** Matthew James

3. **Committee** Senate Finance

4. **Title** Major Business Facility Job Tax Credit

2. **Bill Number** HB 1844

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

**Second House:**

  X   **In Committee**

           **Substitute**

           **Enrolled**

**5. Summary/Purpose:**

This bill would extend the provision that requires a qualified major business facility to claim the credit allowed per qualified full-time employee over two taxable years instead of over three taxable years.

The effective date of this bill is not specified.

**This is a Secretary of Finance bill.**

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

7. **No Fiscal Impact** (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

Because the extension of the Major Business Facility Job Tax Credit is assumed in the official General Fund revenue forecast, this bill would have no impact on General Fund revenue.

**9. Specific agency or political subdivisions affected:**

Department of Taxation

10. **Technical amendment necessary:** No.

## 11. Other comments:

### Current Law

Under current law, a taxpayer may claim the Major Business Facility Job Tax Credit if the taxpayer creates at least 50 new full-time jobs in connection with the establishment or expansion of a major business facility and the company is engaged in a qualifying industry in Virginia. If a taxpayer is located in an enterprise zone or in an economically distressed area (as defined by the Virginia Economic Development Partnership), the threshold is reduced from 50 jobs to 25. The credit is equal to \$1,000 for each qualifying new job in excess of 50 jobs (25 jobs for a taxpayer located in an enterprise zone or economically distressed area). A "major business facility" is a company that is engaged in any business in the Commonwealth, except a retail trade business if such trade is the principal activity of an individual facility in the Commonwealth.

The Major Business Facility Job Tax Credit must generally be claimed ratably over three taxable years, beginning with the taxable year following the year in which the facility is established or expanded, or the new qualifying jobs are added. However, effective for taxable years beginning January 1, 2009 through December 31, 2014, taxpayers were allowed to claim the credit amount over two taxable years instead of three taxable years. The amount of credit allowed cannot exceed the tax imposed for such taxable year. Any credit not usable for the taxable year the credit was allowed may be, to the extent usable, carried over for the next 10 succeeding taxable years. This credit is set to expire on January 1, 2020, and would extend the two-year provision so that it is consistent with the sunset date of the Major Business Facility Job Tax Credit.

In cases where the number of qualified full-time employees in any of the five years succeeding the credit year decreases below the average number of employees during the credit year, the taxpayer is required to recapture part or all of the credit by increasing the tax in the relevant tax years in which the number of qualified full-time employees decreases below the average number of qualified full-time employees employed during the credit year. Such tax increase amount is determined by (i) recomputing the credit which would have been earned for the original credit year, using the decreased number of qualified full-time employees and (ii) subtracting such recomputed credit from the amount of credit previously earned. In the event that the average number of qualifying full-time employees employed at a major business facility falls below the threshold amount in any of the five taxable years succeeding the credit year, all credits earned with respect to such major business facility must be recaptured.

### Proposed Legislation

This bill would extend the provision that requires a qualified major business facility to claim the credit allowed per qualified full-time employee over two taxable years instead of over three taxable years.

Under current law, the Major Business Facility Job Tax Credit is scheduled to expire on January 1, 2020. This bill would extend the two-year provision so that it is consistent with the sunset date of the credit.

The effective date of this bill is not specified.

Similar Legislation

**House Bill 1843** and **Senate Bill 1037** would extend the sunset date for the Green Job Creation Tax Credit.

cc : Secretary of Finance

Date: 2/9/2015 CWM  
HB1844F161