DEPARTMENT OF TAXATION
2015 Fiscal Impact Statement

1. Patron Ryan T. McDougle

2. Bill Number SB 904

House of Origin:
X **Introduced**
_____ **Substitute**
_____ **Engrossed**

3. Committee Senate Finance

4. Title Subtraction for Certain Long-Term Capital Gains; Extension of the Deadline for Making Investments that Qualify for the Subtraction

Second House:
_____ **In Committee**
_____ **Substitute**
_____ **Enrolled**

5. Summary/Purpose:

This bill would extend the sunset date for making investments in certain high technology businesses that qualify for the individual and corporation income tax subtraction for income taxed as long-term capital gain for federal income tax purposes from June 30, 2015 to June 30, 2017.

The effective date of this bill is not specified.

6. Budget amendment necessary: No.

7. No Fiscal Impact (See Line 8.)

8. Fiscal implications:

Administrative Costs

The Department of Taxation considers implementation of this bill as routine, and is not requesting additional funding.

Revenue Impact

Because the extension of the deadline for making an investment that qualifies for the subtraction for income taxed as long-term capital gain for federal income tax purposes is assumed in the 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

Virginia allows an individual and corporation income tax subtraction for any income attributable to an investment in certain high technology businesses that is taxed as long-term capital gain or investment services partnership interest income for federal income tax purposes. "Qualified business" means a business that:

- Has annual gross revenues of no more than $3 million in its most recent fiscal year;
- Has its principal office or facility in Virginia;
- Is engaged in business primarily in or does substantially all of its production in Virginia;
- Has not obtained during its existence more than $3 million in aggregate gross cash proceeds from the issuance of its equity or debt investments; and
- Is primarily engaged, or is primarily organized to engage, in certain technology-related fields.

"Qualified business" also includes any other technology business approved by the Secretary of Technology provided that the business has its principal office or facility in Virginia and less than $3 million in annual revenues in the fiscal year prior to the investment.

For an investment to qualify for the subtraction, it must be made between April 1, 2010 and June 30, 2015.

No taxpayer that has claimed the Qualified Equity and Subordinated Debt Investments Tax Credit for an investment in a qualified business may claim the subtraction for income taxed as long-term capital gain for federal income tax purposes for an investment in the same business.

Proposed Legislation

This bill would extend the sunset date for making investments in certain high technology businesses that qualify for the individual and corporation income tax subtraction for income taxed as long-term capital gain for federal income tax purposes from June 30, 2015 to June 30, 2017.

The effective date of this bill is not specified.

Similar Bills

House Bill 1741 is identical to this bill.

House Bill 2044 would extend the sunset date for making investments that qualify for the long-term capital gain subtraction to June 30, 2020.

cc : Secretary of Finance

Date: 1/18/2015 MTH
SB904F161