

**DEPARTMENT OF TAXATION
2016 Fiscal Impact Statement**

1. **Patron** Kaye Kory

3. **Committee** House Finance

4. **Title** Clean-Fuel Vehicle and Advanced Cellulosic
Biofuels Job Creation Tax Credit

2. **Bill Number** HB 445

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would reestablish the Clean-Fuel Vehicle and Advanced Cellulosic Biofuels Job Creation Tax Credit, which previously expired December 31, 2014.

This bill would be effective for taxable years beginning or after January 1, 2016, but prior to January 1, 2019.

6. Budget amendment necessary: Yes

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7. Fiscal Impact Estimates are: Preliminary. (See Line 8).

7a. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2015-16	\$0	GF
2016-17	(\$372,000)	GF
2017-18	(\$402,000)	GF
2018-19	(\$430,000)	GF
2019-20	Minimal	GF
2020-21	Minimal	GF

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 a negative General Fund revenue impact of \$372,000 in Fiscal Year 2017, \$402,000 in Fiscal Year 2018, and \$430,000 in Fiscal Year 2019. This estimate is based on credit utilization in prior years, as well as projections regarding the use of alternative fuel vehicles during 2016, 2017, and 2018.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Prior to Taxable Year 2015, corporate taxpayers were able to claim a tax credit of \$700 for each job that was created in either (i) the manufacture of the major components of the energy storage, energy supply, or engine, motor, and power train mechanisms unique to a vehicle fueled by clean special fuels; (ii) the manufacture of components uniquely used to convert vehicles designed to operate on gasoline or diesel fuel to operate on clean special fuels or advanced biofuels; (iii) the conversion of vehicles designed to operate on gasoline or diesel fuel to operate on clean special fuels or advanced biofuels; (iv) the manufacture of vehicles designed to operate on clean special fuels; (v) the manufacture of components designed to produce, store, and dispense clean special fuels or advanced biofuels; or (vi) the production of advanced biofuels.

For purposes of this credit, "advanced biofuel" was defined as a fuel derived from any cellulose, hemicellulose, or lignin that is derived from renewable biomass or algae. "Clean special fuel" meant any product or energy source used to propel a highway vehicle, the use of which, compared to conventional gasoline or reformulated gasoline, results in lower emissions of oxides of nitrogen, volatile organic compounds, carbon monoxide or particulates or any combination thereof. The term includes compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, hythane (a combination of compressed natural gas and hydrogen), or electricity. "Job" meant the full-time employment of an individual in Virginia by a corporation for at least 40 hours per week during at least 40 weeks during the calendar year whose primary work activity is related directly to any of the activities listed above.

The credit was allowed in the taxable year in which the job was created and in each of the two succeeding years in which the job was continued. Any tax credit not used in the taxable year of job creation or continuation could be carried over for credit against the corporation's income tax in the five succeeding taxable years until the total credit amount was used. A corporation was not eligible for the tax credit if such corporation claimed the Major Business Facility Job Tax credit.

The Clean-Fuel Vehicle and Advanced Cellulosic Biofuels Job Creation Tax Credit was effective for taxable years beginning on and after January 1, 1996 through December 31, 2014. The extension of the sunset date for the Clean-Fuel Vehicle and Advanced Cellulosic Biofuels Job Creation Tax Credit failed to pass the 2015 General Assembly. As a result, the credit expired December 31, 2014. No new tax credits were granted for Taxable Year 2015. The table below provides information regarding the total number and amount of taxpayers that claimed the credit on tax returns processed during Fiscal Years 2012 through 2015.

Fiscal Year	Number of Taxpayers	Total Amount
FY 2012	96	\$135,538
FY 2013	135	\$229,573
FY 2014	176	\$356,353
FY 2015	191	\$307,062

Proposal

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cc : Secretary of Finance

Date: 1/19/2016 CWM
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