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HOUSE BILL NO. 1959

Offered January 11, 2017

Prefiled January 10, 2017

A BILL to amend and reenact § 58.1-439.6 of the Code of Virginia, relating to worker retraining tax credit; student internships; Virginia College Savings Plan contributions.

Patron—Yancey

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:**1. That § 58.1-439.6 of the Code of Virginia is amended and reenacted as follows:****§ 58.1-439.6. Worker retraining tax credit.**

A. As used in this section, unless the context clearly requires otherwise:

"Eligible worker retraining" means 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 Commissioner of Labor and Industry.

"Matching contribution" means an expenditure made by an employer for a prepaid tuition contract or savings trust account entered into with the Virginia College Savings Plan, pursuant to Chapter 7 (§ 23.1-700 et seq.) of Title 23.1, on behalf of a student intern. Such expenditure shall be equal to the amount contributed by the student intern to the prepaid tuition contract or savings trust account during the taxable year in which the employer makes such expenditure.

"Qualified employee" means an employee of an employer eligible for a credit under this section 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 shall not qualify as qualified employees. A qualified employee (i) shall not be a relative of any owner or the employer claiming the credit and (ii) shall not own, directly or indirectly, more than five percent in value of the outstanding stock of a corporation claiming the credit. As used herein, "relative" means a spouse, child, grandchild, parent or sibling of an owner or employer, and "owner" means, in the case of a corporation, any person who owns five percent or more of the corporation's stock.

"Qualified internship program" means an internship that meets the following requirements: (i) the student intern works for the employer at least 20 hours per week for at least 10 consecutive weeks; (ii) the employer pays the student intern at least the minimum wage required by law; (iii) the student intern receives training in job-related skills that are essential in the employer's field of employment; and (iv) the training described in clause (iii) is in the field of electrical work, engineering, manufacturing, or mechanical work.

"STEM or STEAM discipline" means a science, technology, engineering, mathematics, or applied mathematics related discipline as determined by the Department of Small Business and Supplier Diversity in consultation with the Superintendent of Public Instruction. The term shall include a health care-related discipline.

"Student intern" means a full-time student at a high school or a public or private institution of higher education.

B. 1. For taxable years beginning on and after January 1, 1999, but prior to January 1, 2018 2022, an employer shall be allowed a credit against the taxes imposed by Articles 2 (§ 58.1-320 et seq.), 6 (§ 58.1-360 et seq.), and 10 (§ 58.1-400 et seq.) of Chapter 3; Chapter 12 (§ 58.1-1200 et seq.); Article 1 (§ 58.1-2500 et seq.) of Chapter 25; or Article 2 (§ 58.1-2620 et seq.) of Chapter 26 in an amount equal to 30:

a. Thirty percent of all expenditures paid or incurred by the employer during the taxable year for eligible worker retraining. However, for taxable years beginning prior to January 1, 2013, if the eligible worker retraining consists of courses conducted at a private school, the credit shall be in an amount equal to the cost per qualified employee, but the amount of the credit shall not exceed \$100 per qualified employee annually. For taxable years beginning on or after January 1, 2013, if the eligible worker retraining consists of courses conducted at a private school, the credit shall be in an amount equal to the cost per qualified employee, but the amount of the credit shall not exceed \$200 per qualified employee annually, or \$300 per qualified employee annually if the eligible worker retraining includes retraining in a STEM or STEAM discipline including but not limited to industry-recognized credentials, certificates, and certifications;

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59 *b. For each student intern hired by the employer for a qualified internship program, \$1,000. An*
60 *employer shall be allowed a credit pursuant to this subdivision only for an internship that has been*
61 *approved by (a) a school division or community college of the Commonwealth and (b) the Department*
62 *of Small Business and Supplier Diversity. An employer seeking a tax credit under this subdivision shall*
63 *obtain certification of such approval and provide such certification to the Tax Commissioner. No credit*
64 *shall be allowed under this subdivision (i) more than once for the same student intern or (ii) for any*
65 *student intern that the employer hired prior to July 1, 2017; and*

66 *c. Thirty percent of any matching contribution, up to \$1,000, made by the employer during the*
67 *taxable year for a prepaid tuition contract or savings trust account entered into with the Virginia*
68 *College Savings Plan, pursuant to Chapter 7 (§ 23.1-700 et seq.) of Title 23.1, on behalf of a student*
69 *intern. No credit shall be allowed under this subdivision if (i) the student intern made his contribution*
70 *before the employer hired him or (ii) any employer previously claimed a credit for a matching*
71 *contribution based on the same contribution by the student intern.*

72 2. The total amount of tax credits granted to employers under this section for each fiscal year shall
73 not exceed ~~\$2,500,000~~ \$2.5 million.

74 C. For purposes of this section, the amount of any credit attributable to a partnership, electing small
75 business corporation (S corporation), or limited liability company shall be allocated to the individual
76 partners, shareholders, or members, respectively, in proportion to their ownership or interest in such
77 business entities.

78 D. An employer shall be entitled to ~~the a~~ credit granted under ~~this section~~ *subdivision B 1 a* only for
79 those courses at a community college or a private school which courses have been certified as eligible
80 worker retraining to the Department of Taxation by the Department of Small Business and Supplier
81 Diversity. The Tax Commissioner shall promulgate regulations, in accordance with the Administrative
82 Process Act (§ 2.2-4000 et seq.), (i) establishing procedures for claiming the credit provided by this
83 section, (ii) defining eligible worker retraining, which shall include only those courses and programs that
84 are substantially related to the duties of a qualified employee or that enhance the qualified employee's
85 job-related skills, and that promote economic development, and (iii) providing for the allocation of
86 credits among employers requesting credits in the event that the amount of credits for which requests are
87 made exceeds the available amount of credits in any year. The Department of Small Business and
88 Supplier Diversity shall review requests for certification submitted by employers and shall advise the
89 Tax Commissioner whether a course or program qualifies as eligible worker retraining and, if it
90 qualifies, whether the course or program is in a STEM or STEAM discipline.

91 E. Any credit not usable for the taxable year may be carried over for the next three taxable years.
92 The amount of credit allowed pursuant to this section shall not exceed the tax imposed for such taxable
93 year. No credit shall be carried back to a preceding taxable year. If an employer that is subject to the
94 tax limitation imposed pursuant to this subsection is allowed another credit pursuant to any other section
95 of this Code, or has a credit carryover from a preceding taxable year, such employer shall be considered
96 to have first utilized any credit allowed which does not have a carryover provision, and then any credit
97 which is carried forward from a preceding taxable year, prior to the utilization of any credit allowed
98 pursuant to this section.

99 F. No employer shall be eligible to claim a credit under this section for worker retraining undertaken
100 by any program operated, administered, or paid for by the Commonwealth.

101 G. The Director of the Department of Small Business and Supplier Diversity shall report annually to
102 the chairmen of the House Finance and Senate Finance Committees on the status and implementation of
103 the credit established by this section, including certifications for eligible worker retraining.