

# DEPARTMENT OF TAXATION

## 2023 Fiscal Impact Statement

1. **Patron** Chris S. Runion

3. **Committee** House Finance

4. **Title** High School Equivalency and Employment  
Tax Credit.

2. **Bill Number** HB 1933

**House of Origin:**

X **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would provide a nonrefundable individual income tax credit for taxpayers who have earned a high school equivalency certificate and, within one year of earning such certificate, are employed full time within the Commonwealth. The tax credit would be in the amount of \$1,000 per year per taxpayer and limited to no more than 250 taxpayers per fiscal year. Provided that an eligible taxpayer remains employed full time within the Commonwealth, such a taxpayer would be permitted to claim the credit for up to three years.

This bill would be effective for taxable years beginning on and after January 1, 2023, but before January 1, 2028.

### 6. **Budget amendment necessary:** Yes

Item(s): Page 1, Revenue Estimates

### 7. **Fiscal Impact Estimates are:** Unknown. (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

This bill would result in an unknown negative General Fund revenue impact of beginning in Fiscal Year 2024. This bill would provide that for each fiscal year, up to 250 eligible taxpayers can be awarded the \$1,000 tax credit authorized by this bill, and if awarded such tax credit, they may claim it on their return filed for the current taxable year and two subsequent taxable years. It is unknown how many taxpayers would qualify for this tax credit. However, if the maximum amount of eligible taxpayers applied for and were awarded a tax credit each fiscal year beginning in Fiscal Year 2024, this bill could result in a negative

General Fund revenue impact of up to \$250,000 in Fiscal Year 2024; up to \$500,000 in Fiscal Year 2025; and, up to \$750,000 in Fiscal Year 2026 and each fiscal year thereafter.

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

Department of Taxation

**10. Technical amendment necessary: Yes.**

Because this bill would provide a tax credit that provides an incentive to be located and remain in Virginia, the Department recommends the following technical amendment to ensure that, if for any reason held the bill were held invalid or unconstitutional by a court, this bill's requirements would not be deemed severable:

Line 32 end of line

Insert: E. If any provision of this section is for any reason held to be invalid or unconstitutional by the decision of a court of competent jurisdiction, that provision shall not be deemed severable.

**11. Other comments:**

Uncapped and Capped Income Tax Credits

In general, Virginia has two types of income tax credits, uncapped credits and capped credits. Uncapped income tax credits are available to all qualified taxpayers, without regard to the extent of the impact on General Fund revenues. These tax credits are usually claimed by taxpayers on their income tax return. In contrast, capped income tax credit are limited based on a cap, which ensures that tax credit claims in aggregate do not reduce General Fund revenues by more than as specific dollar amount each fiscal year. Because each taxpayer individually does not know whether the cap will be reached in a particular year or not, taxpayers seeking to claim such credits must first file an application to be awarded tax credits before filing their income tax return. Only after receiving permission to take the credit from the agency administering the capped credit can a taxpayer file a return claiming such tax credit. It is unsure whether the High School Equivalency and Employment Tax Credit is a capped or uncapped credit.

Sunset Dates for New Income Tax Credits and Sales Tax Exemptions

Section 3-5.14 of the 2022 Appropriation Act provides that any new sales tax exemption or tax credit enacted by the General Assembly after the 2019 Session, but prior to the 2024 Session, must have a sunset date of not later than June 30, 2025.

Proposed Legislation

This bill would provide an individual income tax credit for eligible taxpayers in the amount of \$1,000 per year per taxpayer. The maximum amount of credits per fiscal year would be limited to 250 eligible taxpayers. However, this tax credit would be permitted to be claimed for up to three years beginning in the year the taxpayer becomes eligible. A taxpayer would remain eligible provided that the taxpayer remains employed full time in the Commonwealth.

"Eligible taxpayer" would be defined as an individual who has successfully earned a high school equivalency certificate, as described in the Code of Virginia, and is employed full time within the Commonwealth within one year.

This tax credit would be nonrefundable, as the amount of tax credit claimed could not exceed the eligible taxpayer's individual income tax liability. If the amount of the tax credit exceeds the eligible taxpayer's tax liability, the excess credit would be allowed to be carried over for the next five taxable years or until the total amount of the tax credit has been taken, whichever is sooner.

The Department would be required to develop guidelines regarding claiming this tax credit.

This bill would be effective for taxable years beginning on and after January 1, 2023, but before January 1, 2028.

cc : Secretary of Finance

Date: 1/22/2023 RWC  
HB1933F161