

**DEPARTMENT OF TAXATION
2022 Fiscal Impact Statement**

1. **Patron** Kathleen J. Murphy

3. **Committee** House Finance

4. **Title** Income Tax: G3 and Cybersecurity
Employment Tax Credit

2. **Bill Number** HB 442

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would provide an individual and corporate income tax credit to an employer for hiring certain employees that are either a graduate of the Get Skilled, Get a Job, Give Back Program ("G3 Program") or a graduate with a degree in cybersecurity from a Virginia four-year institution of higher education. The amount of the credit would be \$1,000 per eligible employee hired and would be available only for the taxable year in which such employee was first hired by the employer. The credit would be subject to an annual credit cap of \$5 million.

This bill would be effective for taxable years beginning on and after January 1, 2022, but before January 1, 2027.

6. Budget amendment necessary: Yes.

Item(s): Page 1, Revenue Estimates
274 and 276, Department of Taxation

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

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2022-23	\$237,655	1	GF
2023-24	\$70,200	1	GF
2024-25	\$70,200	1	GF
2025-26	\$70,200	1	GF
2026-27	\$70,200	1	GF
2027-28	\$70,200	1	GF

8. Fiscal implications:

Administrative Cost

This bill would result in administrative costs to the Department of Taxation ("the Department") of \$237,655 in Fiscal Year 2023 and \$70,200 in Fiscal Year 2024 and thereafter. These costs would be incurred for purposes of hiring one full time employee to

administer the Department's responsibilities with respect to the credit, systems updates, and additional ongoing operational expenses related to overseeing this credit program.

Revenue Impact

This bill would have an unknown negative General Fund revenue impact in Fiscal Year 2023 and thereafter. It is unknown to what extent employers would hire qualifying employees and thereby be eligible to claim this credit. However, because this credit would be subject an annual credit cap, the negative revenue impact would be limited to a maximum of \$5 million per fiscal year.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: Yes.

The term "wages" is defined in the bill, but is not used in the bill text outside of where it is defined. It is unclear whether and to what extent this term was intended to be included bill text. Therefore, we recommend a technical amendment to either strike this definition or to add the term "wages" to the bill text as deemed appropriate.

11. Other comments:

Sunset Dates for New Income Tax Credits and Sales Tax Exemptions

Section 3-5.14 of the 2021 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 and corporate income tax credit to an employer for hiring certain employees that are either a graduate of the G3 Program or a graduate with a degree in cybersecurity from a Virginia four-year institution of higher education. The amount of the credit would be \$1,000 per eligible employee hired and would be available only for the taxable year in which such employee was first hired by the employer.

"Wages" and "employer" would be each defined the same as such terms are for income tax withholding purposes.

"Eligible employee" would be defined as an employee, living and working in Virginia, who is hired for and works in a full-time position for the Virginia employer throughout the taxable year for which the credit is claimed and who is either (i) a graduate of the G3 Program or (ii) a graduate with a degree in cybersecurity from a Virginia four-year institution of higher education.

The credit would be subject to an annual credit cap of \$5 million. To the extent applications for credits exceed the \$5 million annual credit cap for any taxable year, the Department would allocate the credits on a pro rata basis.

The amount of the credit that may be claimed in any single taxable year would not be permitted to exceed the taxpayer's liability for income taxes for that taxable year. If the amount of the credit allowed under this section exceeds the family caregiver's tax liability for the taxable year in which the eligible expenditures occurred, the amount that exceeds the tax liability may be carried over for credit against the income taxes of the family caregiver in 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 for claiming this credit, and such guidelines would be exempt from the provisions of the Administrative Process Act

This bill would be effective for taxable years beginning on and after January 1, 2022, but before January 1, 2027.

cc : Secretary of Finance

Date: 1/23/2022 RWC
HB442F161