

DEPARTMENT OF TAXATION

2022 Fiscal Impact Statement

1. **Patron** Frank M. Ruff, Jr.

3. **Committee** Senate Finance and Appropriations

4. **Title** Major Business Facility Job Tax Credit; Extends Sunset

2. **Bill Number** SB 185

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would extend the sunset date of the Major Business Facility Job Tax Credit, so that it would be effective for taxable years beginning before July 1, 2025. The credit is currently set to expire for taxable years beginning on and after July 1, 2022. If this bill is enacted during the 2022 Regular Session of the General Assembly, it would become effective July 1, 2022.

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 does not require additional funding.

Revenue Impact

Because the extension of the sunset date of the Major Business Facility Job Tax Credit is assumed in the official General Fund revenue forecast, this bill would have no impact on General Fund revenue. For Fiscal Year 2012 through Fiscal Year 2021, the Major Business Facility Job Tax Credit was claimed by taxpayers as follows:

Fiscal Year	Number	Amount
2012	138	\$4,297,690
2013	195	\$2,773,843
2014	121	\$1,310,327
2015	74	\$4,109,769
2016	22	\$772,996
2017	17	\$6,766,397
2018	11	\$1,843,973
2019	9	\$1,258,321
2020	88	\$6,317,552
2021	24	\$2,229,683
Average	70	\$3,168,055

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Major Business Facility Job Tax Credit

A taxpayer may claim the Major Business Facility Job Tax Credit if the taxpayer creates at least 50 new full-time jobs in connection with the establishment or expansion of a major business facility and the company is engaged in a qualifying industry in Virginia. If a taxpayer is located in an enterprise zone or in an economically distressed area (as defined by the Virginia Economic Development Partnership), the threshold is reduced from 50 jobs to 25. The credit is equal to \$1,000 for each qualifying new job in excess of 50 jobs (25 jobs for a taxpayer located in an enterprise zone or economically distressed area).

A "major business facility" is a company that is engaged in any business in the Commonwealth, except a retail trade business, if such trade is the principal activity of an individual facility in the Commonwealth.

The Major Business Facility Job Tax Credit can generally be claimed ratably over two taxable years, beginning with the taxable year following the year in which the facility is established or expanded, or the new qualifying jobs are added. The amount of credit allowed cannot exceed the tax imposed for such taxable year. Any credit not used in the taxable year the credit was allowed may be carried forward for the next 10 succeeding taxable years.

In cases where the number of qualified full-time employees in any of the five years succeeding the credit year decreases below the average number of employees during the credit year, the taxpayer is required to recapture part or all of the credit by increasing the tax in such taxable years. The amount of tax increase is determined by (i) recomputing the credit which would have been earned for the original credit year, using the decreased number of qualified full-time employees and (ii) subtracting such recomputed credit from the amount of credit previously earned. In the event that the average number of qualifying full-time employees employed at a major business facility falls below the threshold of 50 (25 in economically distressed areas or enterprise zones) in any of the five taxable years succeeding the credit year, all credits earned with respect to such major business facility must be recaptured.

The Major Business Facilities Job Tax Credit is currently scheduled to expire for taxable years beginning on or after July 1, 2022.

Sunset Date of Income Tax Credits and Sales Tax Exemptions

Pursuant to Item 3-5.14 of the 2020 Appropriations Act, the Department published a report regarding the revenue impact of every sales tax exemption and income tax credit scheduled to expire on or before June 30, 2025. This report included information regarding the Major Business Facility Job Tax Credit. See 2020 Report Document 487.

In addition, Item 3-5.14 of the 2021 Appropriation Act prohibits the General Assembly from advancing the sunset date of any existing sales tax exemption beyond June 30, 2025.

Proposed Legislation

This bill would extend the sunset date of the Major Business Facility Job Tax Credit, so that it would be effective for taxable years beginning before July 1, 2025. The credit is currently set to expire for taxable years beginning on and after July 1, 2022.

If this bill is enacted during the 2022 Regular Session of the General Assembly, it would become effective July 1, 2022.

Similar Legislation

House Bill 269 is identical to this bill.

cc : Secretary of Finance

Date: 1/20/2022 JLOF
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