# DEPARTMENT OF TAXATION
# 2010 Fiscal Impact Statement

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

**2. Bill Number** SB 657

**House of Origin:**
_____ **Introduced**
_____ **Substitute**
_____ **Engrossed**

**Second House:**
__X__ **In Committee**
_____ **Substitute**
_____ **Enrolled**

**3. Committee** House Finance

**4. Title** Income Tax: Exported Renewable Energy Products Tax Credit

**5. Summary/Purpose:**

This bill would grant an individual or corporate income tax credit for renewable energy products exported by a manufacturer in Virginia to a foreign country. The amount of the credit would be equal to 3 percent of the total sales price of the renewable energy products exported, not to exceed $500,000 in any taxable year. The credit would be allowed for the taxable year beginning two years after the renewable energy production begins, and end on the last day of the seventh taxable year after the renewable energy production begins.

The total amount of credits granted to all taxpayers in any fiscal year could not exceed $6 million. Taxpayers would be required to reserve credits through TAX.

The effective date of this bill is not specified.

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

**7. Budget amendment necessary:** Yes.
Page 1, Revenue Estimates

**8. Fiscal implications:**

Administrative Costs

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

Revenue Impact

This bill would have an unknown negative impact on General Fund Revenue. There is no data regarding the sales price of renewable energy products manufactured in Virginia and exported to a foreign country. However, the revenue impact could be as high as, but no more than, $6 million for each fiscal year beginning in Fiscal Year 2014.

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

Department of Taxation

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

In order to clarify that this bill applies to all taxpayers, not just individuals, the following technical amendment is suggested:

Page 1, line 18, after B. Any
Strike: person
Insert: taxpayer

In order to clarify the effective date of this bill, the following language is suggested:

Page 1, Line 19, after products
Insert: after December 31, 2009, but

In order to clarify that TAX would be required to determine the sales price of the products that are exported, the following technical amendment is suggested:

Page 1, Line 31, after procedures
Insert: for determining the definition of “sales price” and

In order to exclude language that pertains to base year export volume, the following technical amendment is suggested:

Page 1, Line 40, after taxable year
Strike: of export
Insert: that the credit was claimed

**11. Other comments:**

This bill would grant an individual or corporate income tax credit for renewable energy products exported by a manufacturer in Virginia to a foreign country. The amount of the credit would be equal to 3 percent of the total sales price of the renewable energy products exported, not to exceed $500,000 in any taxable year. The credit would be allowed for the taxable year beginning two years after the renewable energy production begins, and end on the last day of the seventh taxable year after the renewable energy production begins.

The total amount of credits granted to all taxpayers in any fiscal year could not exceed $6 million. Taxpayers would be required to reserve credits through TAX.

"Exported" or "exports" would mean the shipment of renewable energy products to a foreign country.

"Manufactured" or "manufactures" would mean manufactured in the Commonwealth.

"Renewable energy products" would mean any equipment, devices, or fuel sources designed and used primarily for the production of renewable energy, except for ethanol fuels.

TAX would be required to promulgate guidelines, which would be exempt from the Administrative Process Act, to address the following: (i) requirements for applying for reservations of tax credits; (ii) a system for allocating the available amount of tax credits among eligible taxpayers; (iii) a method for the issuance of reservations to eligible taxpayers that did not initially receive a reservation in any year, if the Department determines that tax credit reservations were issued to other taxpayers that did not use, or were determined to be wholly or partially ineligible for, a reserved tax credit; and (iv) a procedure for the cancellation and reallocation of tax credit reservations allocated to eligible taxpayer that, after reserving tax credits, have been determined to be ineligible for all or a portion of the tax credits reserved.

In no case would a taxpayer be allowed to carry over any tax credit to be applied against any income tax for taxable years subsequent to the taxable year of export.

This bill would require a taxpayer claiming the credit to submit with its application for the tax credits and its state income tax return a written statement certifying a listing of its export volumes as reported on its monthly reports to the United States Department of the Treasury for each month of the taxable year.

Finally, credits granted to a partnership, limited liability company, or electing small business corporation (S corporation) would be allocated to the individual partners, members, or shareholders, respectively, in proportion to their ownership or interest in such business entities.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 2/16/2010 TG
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