

**REPORT OF THE
VIRGINIA BUSINESS - EDUCATION PARTNERSHIP
PROGRAM AND DEPARTMENT OF EDUCATION ON**

**ENCOURAGING GREATER
BUSINESS INVOLVEMENT IN
APPRENTICESHIPS, MENTORING,
AND SCHOOL-TO-WORK
INITIATIVES**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



HOUSE DOCUMENT NO. 37

**COMMONWEALTH OF VIRGINIA
RICHMOND
1998**



COMMONWEALTH of VIRGINIA

Office of the
Virginia Business - Education Partnership Program

George Allen
Governor

December 15, 1997

Beverly H. Sgro
Secretary of Education
Randolph A. Beales
Executive Director

The Honorable George Allen
Governor of Virginia
State Capitol, Third Floor
Richmond, Virginia 23219

Members of the Virginia General Assembly
General Assembly Building
Richmond, Virginia 23219

Dear Governor Allen and Members of the General Assembly:

Enclosed please find the attached report in fulfillment of the Virginia Business-Education Partnership's and Department of Education's responsibility (working with the Department of Labor and Industry and the Department of Taxation) under House Joint Resolution 651 of the 1997 General Assembly. The joint resolution called on the Department of Education, working through the Secretary of Education's Virginia Business-Education Partnership (and in cooperation with the Departments of Labor and Industry and Taxation), to study ways to encourage business participation in school-to-work transition initiatives, mentoring, and apprenticeship programs.

I hope you find the report useful, responsive, and informative. If I can answer any questions or provide any further information, please contact me.

With kind, personal regards, I remain

Sincerely,

A handwritten signature in cursive script, appearing to read "Beverly H. Sgro".

Beverly H. Sgro

BHS:rab
Enclosure

PREFACE

House Joint Resolution 651 is concerned with studying "ways to encourage business participation in school-to-work transition initiatives, mentoring, and apprenticeship programs." Specifically, the General Assembly requests the Department of Education, working through the Secretary of Education's Virginia Business-Education Partnership Program (and in cooperation with the Departments of Labor and Industry and Taxation) to study ways to encourage business participation in school-to-work transition initiatives, mentoring, and apprenticeship programs.

Members of the study committee included: Randolph A. Beales, Executive Director of the Virginia Business-Education Partnership and Director of the Virginia School-to-Work Initiative, Dr. Kay Brown, Specialist, Career Connections, Virginia Department of Education, Lisa George of the Office of Tax Policy at the Virginia Department of Taxation, Nancy Jakubec, Apprenticeship Coordinator, Virginia Department of Labor and Industry, Jennifer Peterlin, Special Assistant to the Commissioner of the Department of Labor and Industry, and Suzanne Pritzker, Policy Advisor and Special Assistant for Community Relations at the Virginia Business-Education Partnership.

The study committee acknowledges with grateful appreciation the assistance of Secretary of Education Beverly H. Sgro, Virginia Department of Taxation Commissioner Danny Payne and Assistant Commissioner Robert Megna, Virginia Department of Labor and Industry Commissioner Theron Bell, Virginia Economic Development Partnership Deputy Director Mark Kilduff and staff of the Virginia Department of Business Assistance, Virginia Apprenticeship Council Chairman Jim Hughes, and Maggie Wilson, who works with the Neighborhood Assistance Act at the Virginia Department of Social Services. The joint efforts of all the individuals noted above were important to the completion of this study.

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EXECUTIVE SUMMARY

The key to getting greater and more meaningful business involvement in school-to-work transition initiatives, apprenticeships, and mentoring programs is to truly give businesses substantive influence in these initiatives, as well as financial incentives that will encourage and support business involvement. Business needs to be heavily involved in planning and executing the business-education partnerships that are key to building, expanding, and then sustaining a successful school-to-work initiative.

Any school-to-work initiative in Virginia should have a local school-to-work advisory committee, of which at least half the members should be businesspeople or other private sector employers. The other members of these local school-to-work advisory committees should include educators, parents, other citizens interested in school-to-work and presumably some students involved in the initiative. Such a partnership and governing committee for a school-to-work initiative create a solid business-education dialogue that can develop into a true business-education partnership.

Financial incentives are important to business in setting up or participating in such initiatives. While interest was expressed in additional tax credits, businesses already get a deduction on their federal income taxes for paying the wages of students and of other employees working with the students involved in a school-to-work initiative. This deduction, of course, also flows through to the state income tax return. The Commonwealth also provides two other tax credits that businesses might be able to use -- (1) the Worker Retraining Tax Credit, which gives businesses a tax credit equal to 30% of expenditures made by the business for certain worker retraining for qualified employees, and (2) the Neighborhood Assistance Act Credit, which allows a business to receive a tax credit equal to 45% of the cost of providing education or job training assistance to individuals in impoverished areas of the state.

As important as those sorts of financial incentives are to business, even more important is its desire to be able to hire employees who are better prepared academically and do not require expensive remediation in the basics. The importance of better prepared high school graduates was emphasized repeatedly by businesspeople. In addition, businesses are especially anxious to participate in school-to-work programs that will provide them with employees who have better skills for the job they will hold, a good work ethic and ability to work with others, the ability to identify good future employees whom they can train the way they wish, and the ability to retain good employees whom they can also move into supervisory positions.

It may also be extremely helpful to use school-to-work transition initiatives and apprenticeship programs as good incentives for economic development -- both in business recruitment and in business retention and expansion. In short, businesses are anxious to get good employees who are well-educated and ready to go to work. They want Virginia to have an excellent education system with high academic standards. Strong, substantive business involvement in school-to-work initiatives, apprenticeship programs, and mentoring programs is crucial to the success and sustainability of these initiatives.

CHAPTER 1. INTRODUCTION: ENCOURAGING GREATER BUSINESS INVOLVEMENT IN APPRENTICESHIPS, MENTORING, AND SCHOOL-TO-WORK INITIATIVES

The purpose of this report that was requested by the 1997 General Assembly in House Joint Resolution 651 (attached as Appendix A) is to determine how to get business more involved in apprenticeship programs, mentoring programs, and school-to-work initiatives. In order to do so, it first helps to look at what already exists in Virginia that is working and in which business is already significantly involved. The Commonwealth itself, together with many businesses, has been heavily involved with formal, registered apprenticeship programs for many years. Indeed, apprenticeship is probably the oldest form of job training in the world.

More recently, the Commonwealth has become heavily involved in additional school-to-work initiatives, including mentoring programs. These school-to-work initiatives have especially grown in the last several years with funding for Virginia under the federal School-to-Work Opportunities Act as well as under the new state-funded school-to-work transition grants program, created by the General Assembly in 1996. A brief look at apprenticeships and these other new school-to-work initiatives would be helpful and instructive.

Formal, Registered Apprenticeships

Apprenticeship training in Virginia is a method of training employees in a skilled occupation through a combination of on-the-job work experience and related classroom instruction. It has proven to be a practical, cost-effective system for training employees in over 300 occupations. To be registered, an apprentice must be working for a Virginia-based employer who has agreed to be a sponsor. Both the apprentice and the employer sign a document provided by the Virginia Department of Labor and Industry which details their commitment to on-the-job work experiences and related instruction. The related instruction is specifically tailored to the needs of the employer and builds the theoretical and technical knowledge needed for the occupation. Apprentices who successfully complete the prescribed number of hours of training and instruction in an apprenticeship program become certified journey level workers.

In Virginia, apprenticeship training has worked well to help many young people find jobs in trades of their interest. It has also proven to be a cost-effective system for training employees in over 300 occupations. These occupations, which are very important to Virginia's economy, generally involve the use of manual, mechanical, or technical skills and knowledge. According to the Virginia Department of Labor and Industry, over 3,000 Virginia businesses in all sectors of our economy (e.g., manufacturing, construction, services) currently use the registered apprenticeship program to meet their skill and industrial training and employ approximately 15,000 apprentices. According to the Virginia Community College System, each year approximately 1,300 registered apprentices complete their training and receive apprenticeship certificates which are recognized throughout the country.

**The Virginia School-to-Work Initiative:
A Transition-to-Work Model
That Meets Students' and Businesses' Needs**

The current Virginia School-to-Work Initiative has done much to encourage the involvement of business in school-to-work initiatives. An important criterion in deciding which grant applicants to fund involves whether an applicant has formed or is forming a strong business-education partnership to make certain the school-to-work initiative has a strong base of support -- and can be sustained when federal school-to-work funding ends after Federal Fiscal Year 2001.

Another important criterion, which responds to one of businesses' most frequently stated concerns, is the importance of making certain that Virginia's schools graduate students who have the academic preparation to be effective, efficient workers (as well as good citizens who give back to their community). Business leaders have frequently stated that, while they can train their employees in job-specific skills, they need workers who have a solid foundation in core academic courses -- i.e., workers who can write clearly and correctly enough to leave accurate, understandable instructions for the worker on the next shift, who can read with high enough comprehension so as to be able to digest a technical manual of instructions, and who know at least enough basic and intermediate mathematical principles so as to be able to make correct change or otherwise keep the customer happy.

The Virginia School-to-Work Initiative has funded approximately 85 school-to-work grants around Virginia since January, 1995. Grants have been

funded largely under one of the four broad, overarching statewide themes of the Virginia School-to-Work Initiative. These include:

- (1) After-school, informal "apprenticeships" or work experiences for high school students;
- (2) Full-fledged mentoring programs for students throughout school (that involve a mentor that helps the student with his schoolwork, allows the student to accompany him frequently on the job, and develops a strong personal relationship with the student off the job and outside of school, becoming a sort of "big brother" or "big sister" to the student);
- (3) Scholarships for postsecondary education and training for at-risk students who stay in school, graduate, stay clean of drugs, and remain out of trouble with the law to use for whatever further education and training they desire to enter the career of their choosing; and
- (4) Public-private partnerships for alternative education programs and settings for students who are not succeeding in the regular classroom, especially those who are chronic disciplinary problems, to help them obtain the education, discipline, and skills they need to become employable, productive citizens.

After-School "Apprenticeships" or Employment Experiences

One of the most popular school-to-work initiatives funded by the Virginia Business-Education Partnership has been after-school work experiences (or informal "apprenticeships") for high school students. These work experiences occur after the end of the regular school day, on Saturdays, and during the summer so as to ensure that the amount of instruction a student receives in core academic courses is not reduced. The work experience is generally of a significant duration so that the student is on the job at least long enough to learn some skills and gain some good work experience -- while the employer has the student long enough to gain a substantive benefit of its own, including identifying good future employees that the business can recruit and train exactly the way it wishes to train its future employees. (Cooperative education programs have often also served many of these same functions.) Funded school-to-work initiatives pursuing after-school work experiences include the Giles County Public Schools,

the Fairfax County Public Schools, the Mecklenburg Business-Education Partnership, and many others.

These informal "apprenticeships" can also often turn into formal apprenticeships, registered with the Virginia Department of Labor, if the student's work experience convinces both the student and his future employer that it would be fruitful to invest in the student's (and company's) future by signing a formal apprenticeship agreement that meets the requirements of the Virginia Apprenticeship Council and the Department of Labor and Industry.

Full-fledged Mentoring Programs

Almost as popular as the work-based learning in informal apprenticeships and work experiences among school-to-work grant recipients have been full-fledged mentoring programs. These programs involve job shadowing of the mentor by the student, tutoring of the student by the mentor, and the development of a strong personal relationship between the student and mentor, who acts much like a "big brother" or "big sister" to the student. These sorts of mentoring programs can occur throughout a student's school experience and are designed to provide the young person with an adult who can provide the student with help with homework, advice on career possibilities, and an additional sympathetic adult ear to listen to the students' problems and concerns.

There are numerous mentorship programs around Virginia that involve a work experience and a workplace mentor. This sort of school-to-work initiative falls more under the first theme of work experiences under the Virginia School-to-Work Initiative. Mentoring, however, under this second theme, attempts to undertake a more full-fledged attempt at building a strong, personal relationship between mentor and student so as to have the maximum chance of making a real difference in the student's life. The Making a Difference Foundation is pursuing this initiative in Hampton Roads, as is Northampton County Public Schools on the Eastern Shore. Younger students in Hampton's elementary schools are also benefitting -- as are students in Southwest Virginia and other parts of Virginia.

Scholarships for Postsecondary Education and Training for Deserving At-Risk Students

Another popular school-to-work initiative that has been particularly attractive to business (and, for that matter, to schools) involves providing

scholarships for postsecondary education and training to at-risk students who stay in school, graduate, stay clean of drugs, and remain out of trouble with the law. The students can use the scholarships at whatever technical school, community college, or four-year college or university that the student desires so as to obtain whatever future education or training the student needs to enter the career that the student desires. The Virginia School-to-Work Initiative provides funding for these initiatives on a one-to-one matching basis (i.e., \$1 in school-to-work grant funds for every \$1 raised in private funds -- up to the amount agreed in the budget).

Many businesses and firms are willing to contribute financially to such scholarship efforts, even if they cannot spare their employees long enough to encourage them to be mentors. Thus, extremely busy firms, such as law firms and accounting firms, that might not otherwise be able to participate in a school-to-work initiative might well be able to contribute to a school-to-work partnership's scholarship initiative. Of course, that is not to say that they could not also still hire students for after-school work experiences, allow them to job shadow, or have individual employees mentoring students. Some businesses do all of these -- and more.

The Virginia Business-Education Partnership has funded such scholarships from the Alexandria Seaport Foundation, the Richmond Adult Career Development Center, the New Horizons Educational Center on the Virginia Peninsula, the Giles County Public Schools, and many others.

Public-Private Partnerships for Alternative Education Programs

Some school-to-work initiatives have focused on getting business and civic groups involved in helping educate students who are not succeeding in the regular classroom, particularly students who are chronic disciplinary problems. These grantees have taken it upon themselves to create new, additional settings (not paid for by state or local government) to educate students in a highly disciplined setting that focuses on teaching these students the basic academics and some good job skills so that they become employable, productive citizens. Such an initiative increases local superintendents' access to alternative education programs for such students without a large additional expense to the Commonwealth for creating a lot more state-funded alternative education programs. It also prevents a lot of students from falling through the cracks of society and ending up on the streets, where they may well get into trouble.

The In-Agape Family Life and Education Center, Inc. is a great example of a school-to-work initiative that is working with students who have been suspended or expelled from the Newport News Public Schools and Hampton Public Schools. When a child is expelled or suspended for a significant period, the local school system lets the child's parents know about this alternative education program in which the parents may enroll their children if they so choose. This program utilizes several locations on the Virginia Peninsula to help the students keep up with their schoolwork during the day while they are out of school -- and attempts to place the older students in high school in work experiences in the afternoons and evenings.

Thus, In-Agape, which is a 501(c)(3) nonprofit foundation, has partnered not only with the local school systems but also with a number of local businesses to make this school-to-work initiative successful. Urban Discovery Ministries, Inc., another 501(c)(3) nonprofit foundation, is also sponsoring an alternative education program for elementary school students and middle school students. Youth for Tomorrow (Former Washington Redskins Coach Joe Gibbs's "boot camp" for young men aged 14-18) is another example of such a program. Each of these programs has important (indeed, crucial) business partner support in order to survive.

School-to-Work Initiatives Serving Students with Special Needs

The Carroll County Public Schools System has brought in a number of local businesses, particularly in the hotel/tourism industry, to provide work experiences for students with special needs (EMR students and other students with rather severe learning disabilities). These businesses have (with help from the school system) trained these young people to do very specific jobs that allow the students to make a living (and, thus, live as independent a life as possible). The businesses also get very loyal, conscientious employees who stay with their employers for a long time. In short, each side benefits from this partnership.

In Nottoway County Public Schools, EMR students go through a job training program where they are taught very specific job skills that they repeat over and over until they master them. The goal, again, is to be able to place these students in a job where they can repeat that skill or skills often enough and well enough during the day that a business will want to hire them and put them on the road to a self-sufficient, independent life.

In fact, Virginia was recently asked to share its success in career

development for students with disabilities, and a presentation was given by Virginia Department of Education staff at the fall 1997 Mid-Atlantic Career Development Conference, involving a number of states. There is an important need to address career planning for special needs students.

CHAPTER 2. SURVEY OF BUSINESSES

In order to study ways to encourage business participation in school-to-work initiatives, mentoring, and apprenticeship programs, two different sets of surveys were conducted during this study. The Department of Labor and Industry (DLI) surveyed a randomly selected group of formal apprenticeship sponsors in each of DLI's five regions of the Commonwealth. Approximately 200 survey forms were mailed. Of these, 59 were completed and returned. The survey conducted by the Virginia Business-Education Partnership (VBEP) targeted business members of the school-to-work advisory committees of each of its 21 federally funded school-to-work subgrantees and its nine state-funded school-to-work grantees. Thirty-five completed surveys were received by the VBEP office from participating businesses.

DLI and VBEP results revealed that these businesses involved in school-to-work initiatives, mentoring, and apprenticeship programs have overwhelmingly found their experiences to be positive. Few of the respondents identified any difficulties in their involvement with school-to-work initiatives, mentoring, and apprenticeship programs, and instead focused on the benefits they received from participation in such programs. The most significant problem identified by formal apprenticeship sponsors was the lack of sufficient academic preparation of participating students.

Before becoming involved in school-to-work initiatives, mentoring, and apprenticeship programs, the results indicate that the surveyed businesses had several concerns. The greatest concerns indicated by the formal apprenticeship sponsors about becoming involved were overall government regulations on apprenticeships and the costs associated with serving as an apprenticeship site. Businesses participating in other school-to-work initiatives were more concerned with the time that would be required of them to carry out such initiatives effectively. The number of staff necessary to implement a school-to-work initiative, and concerns about how the requirements of child labor laws would affect the requirements of some school-to-work efforts, were also identified as obstacles to involvement in school-to-work initiatives for local businesses.

Since each of the businesses surveyed has become involved to some extent in formal apprenticeship programs or school-to-work initiatives, their initial concerns were clearly outweighed by the benefits they identified with such programs. In identifying these benefits, apprenticeship sponsors and businesses involved in other school-to-work initiatives clearly differed. Formal apprenticeship sponsors overwhelmingly identified the provision of skilled workers as their central reason for establishing an apprenticeship program. Businesses involved in other school-to-work initiatives placed their primary focus on the benefit of these programs to involved students. Their secondary motivations were the creation of a better prepared workforce and the identification of good future employees for their specific business.

Once involved in a school-to-work initiative, the surveyed formal apprenticeship sponsors found that they did, in fact, benefit by gaining skilled workers. In addition, they were better able to retain workers as a result of their involvement in apprenticeship programs. The most significant benefit businesses involved in other school-to-work initiatives found was an increase in their pool of future employees and/or supervisors. The businesses also found that they benefited from greater community recognition.

The results of the DLI survey of formal apprenticeship sponsors clearly indicate that the greatest benefit of their involvement in apprenticeship programs is an increase in skilled workers. This is the central reason most of the businesses originally became involved in hosting an apprenticeship program. However, when asked specifically what would encourage them to increase their participation in apprenticeship programs, the majority of respondents identified financial incentives, including federal and state tax credits, and the ability to pay apprentices with federal grants.

The results of the VBEP survey of businesses involved in federally funded and state-funded STW initiatives tell a similar story. They indicate that making business leaders aware that involvement in school-to-work initiatives will improve the quality of their employees by increasing the pool of future employees and/or supervisors may encourage additional business involvement. In fact, when asked specifically what would serve as a good incentive to increase business participation in school-to-work initiatives, the majority of respondents identified obtaining well-qualified future employees. Businesses also indicated that they would be encouraged to increase their participation in school-to-work initiatives by a stronger academic preparation of potential student participants and by receiving greater community recognition for their activities.

CHAPTER 3. TAX CREDITS AND DEDUCTIONS

In the Virginia Department of Labor and Industry and the Virginia Business-Education Partnership surveys of businesses, a number of the respondents certainly expressed an interest in additional tax credits for their investments in school-to-work activities. They were most interested in a federal tax credit, knowing that a federal tax credit would have by far the bigger impact in lowering their total taxes and, consequently, increasing their company's profits. However, they also expressed an interest in a state tax credit.

Following is a summary of the various taxation issues related to this study under HJR 651, including existing federal and state tax laws, legislation proposed during past General Assembly Sessions, and current Virginia tax incentives.

Federal Tax Law

Internal Revenue Code § 162, copy attached as Appendix B, already allows an employer to deduct all ordinary and necessary business expenses. Consequently, wages paid to student workers or apprentices would be deductible for an employer. Likewise, educational expenses would be deductible to the extent such expenses were necessary to maintain or improve the skills required for the employer's apprentice in an apprentice program or to meet the express requirements of the individual's employer or applicable law as a condition of retention of status. Educational expenses incurred to meet minimum education requirements or to qualify for a new trade or business, however, would not be deductible.

Accordingly, employers can generally deduct the wage expenses related to a student worker or an apprentice and some, if not all, of the related educational expenses. Because Virginia's income tax computation is based on the federal income tax computation, such deductions would also flow through to the Virginia income tax return.

Legislation Proposed in Past Sessions

During the 1996 and 1997 General Assembly Sessions, legislation was proposed that may have affected business participation in school-to-work programs. These bills are summarized below.

The "Educational Economic Enhancement Tax Credit" bill introduced

during the 1996 Session (HB 726) would have provided employers with a \$500 tax credit per employee allowed to work toward a high school equivalency certificate (i.e., the GED) through his place of business and receiving such degree while employed. To qualify for this credit, an employer would have to allow the employee leave or otherwise schedule work hours to accommodate class attendance or provide classroom facilities for the employee's education program. This bill would also have provided a \$500 credit to the individual for obtaining the GED. The modified version of this bill that was introduced during the 1997 Session (HB 1649) would have increased the credit amounts for qualifying individuals and employers to \$1,000. These bills were not passed by the General Assembly.

The "Youth Apprenticeship Tax Credit" (SB 673) was introduced during the 1997 Session. This bill would have allowed a business firm to claim a credit based upon wages and other expenses associated with operating an apprentice program. To qualify for this credit, the employer's apprentice program would have to be registered with the Bureau of Apprenticeship and Training of the U.S. Department of Labor. The allowable credit would equal the sum of 50% of the wages paid plus 100% of the other qualifying expenses, limited to a maximum credit of \$3,500 per apprentice per taxable year. This bill was not passed by the General Assembly.

The "Worker Training Tax Credit" (SB 1124) was also introduced during the 1997 Session. This bill would have allowed a tax credit for any taxpayer that provided eligible worker training for a qualified full-time employee. The allowable credit would equal 50% of the cost of the eligible worker training, up to a maximum credit of \$500 per employee. Eligible training would include courses which are substantially related to the duties of the worker and which are taught at a college, university, or community college within the Commonwealth. This bill was also not passed by the General Assembly.

Current Virginia Credit Incentives

Virginia tax law currently provides two income tax credits that could be utilized by employers for expenditures made for employee and student education. These credits are outlined below.

The "Worker Retraining Tax Credit" (HB 2367) was enacted during the 1997 Session of the General Assembly. Code of Virginia § 58.1-439.6, copy attached as Appendix C, provides a credit equal to 30% of all expenditures made

by employers for eligible worker retraining for qualified employees, or up to \$100 per qualified employee if the retraining occurs at private schools.

For purposes of this credit, qualified worker retraining would consist of noncredit courses at any of the Commonwealth's community colleges or at private schools or retraining programs through apprenticeship agreements approved by the Virginia Apprenticeship Council. This credit is effective for taxable years beginning on or after January 1, 1999. The "Worker Retraining Tax Credit" incorporates many of the provisions found in the previously discussed "Youth Apprenticeship Tax Credit" (SB 673) and the "Worker Training Tax Credit" (SB 1124).

The "Neighborhood Assistance Act Credit" allows a taxpayer to claim a credit for donations made under the Neighborhood Assistance Act. This program is administered by the Department of Social Services. Pursuant to Code of Virginia §§ 58.1-333, 58.1-430, 63.1-320 et seq., copies attached as Appendix D, a taxpayer may be eligible to receive a tax credit under the Neighborhood Assistance Act for providing education or job training assistance under an approved program to individuals in impoverished areas. Effective July 1, 1997, the credit is equal to 45% of the value of the money, property, or professional services donated by the business firm or foundation during its taxable year with a minimum credit amount of \$400.

The total amount of tax credits currently authorized under the Neighborhood Assistance Act is \$5.25 million. That amount is scheduled to increase to \$8 million on July 1, 1998. The credits must be allocated by the Office of Community Services of the Virginia Department of Social Services that administers the Neighborhood Assistance Program. At a minimum, the \$2.75 million increase will be allocated for education programs conducted by neighborhood organizations, and at least 10% of the available amount of credits each year will be allocated to qualified programs of neighborhood organizations which did not receive an allocation in the preceding year.

CHAPTER 4. RECOMMENDATIONS FOR GETTING MORE BUSINESSES INVOLVED

The surveys of businesses elicited a number of recommendations. For example, there was a feeling that the state could place a greater focus on encouraging more apprenticeship programs in high technology industries to help meet a demand that is growing especially fast -- much faster than the supply of

skilled workers is currently growing. Doing so is especially important in areas of the state where the need for such employees is approaching the critical stage. Tying this effort closely to the Commonwealth's economic development efforts and business recruitment and retention efforts could result in much greater business involvement. These feelings were certainly echoed in a meeting that was held with staff of the Virginia Department of Business Assistance and the Virginia Economic Development Partnership. Department of Business Assistance staff also suggested more training in the so-called "soft skills" (e.g., how to work with others, the importance of showing up on time, how to act professionally on the job, etc.) in apprenticeship programs and other school-to-work initiatives. They also noted the all-too-frequent need for basic remediation skills for many workers today.

Virginia Apprenticeship Council Chairman Jim Hughes gave similar advice in another meeting but also added that he would not only like to see business recruitment efforts tied to developing apprenticeships but also business retention efforts. He suggested giving incentives to successful businesses already in Virginia to keep them here, such as the funding (or partial funding) to launch an apprenticeship program. Mr. Hughes also spoke of the importance of other financial incentives, such as tax credits. He also suggested providing technical assistance centers in the various economic development regions of the Commonwealth to provide assistance to apprenticeship sponsors.

Businesspeople responding to the survey also suggested that there needs to be greater communication between educators and businesspeople, where each side diligently seeks to understand the other's needs and then works hard to see that these needs are met. Stronger and more substantive business involvement in school-to-work initiatives will make certain that the needs of business are indeed met so that more businesses will be willing to participate (and participate heavily) in apprenticeships, mentoring, and other school-to-work initiatives. Virginia Department of Business Assistance staff noted that teacher externships in business would also do much to enhance teachers' knowledge of what business needs because in such externships they can see the way a particular business operates on a day-to-day basis.

The establishment of more true business-education partnerships across the Commonwealth will also give business more substantive involvement in our schools, in helping to improve them, and in helping to establish and expand apprenticeship programs, mentoring programs, and other school-to-work initiatives. Business-education partnerships that seek to help both the businesses involved and the local schools are more likely to last, develop, and grow into the

sort of in-depth programs that can make a real difference not only in improving school-to-work initiatives but also in improving the education that all of a community's children receive.

Another suggestion that came from the survey by the Virginia Department of Labor and Industry was to work with school guidance department personnel to provide information to them about the various opportunities available to students through apprenticeships. Seminars on this subject might be expanded to provide guidance counselors with additional information on apprenticeships. Virginia Apprenticeship Council Chairman Jim Hughes also echoed this recommendation. This is not to suggest that guidance counselors should try to push students into apprenticeships. However, some guidance counselors apparently are not very familiar with the apprenticeship option available to students, and they should know more about it so that they can inform students about the numerous apprenticeship options available to them.

It was also suggested that informational brochures (or even a media campaign) could be used to educate both parents and students about the various types of job prospects that are available through apprenticeship programs. The Virginia School-to-Work Office in the Virginia Business-Education Partnership plans to put out these sorts of brochures about Virginia's school-to-work initiative and do an increased overall publicity effort about school-to-work in Virginia with funds received from the federal School-to-Work Implementation Grant for which the Commonwealth is now applying.

Costs and Other Financial Incentives and Issues

Another possibility for increasing business involvement in transition-to-work initiatives would be to provide more information to businesses about the costs of establishing (or expanding) an apprenticeship program or other school-to-work initiative. In addition to the grants awarded by the Virginia School-to-Work Initiative, the state might be able to provide more grants to employers to begin (or expand) a registered apprenticeship program, a mentoring program, or other school-to-work initiative. In addition, since, according to the requirements of the federal School-to-Work Opportunities Act, federal school-to-work funding cannot be used to pay student wages (or the wages of a workplace mentor), it was suggested that other state and federal resources be examined for providing grants to pay student and workplace mentor wages. The state-funded school-to-work transition grants do not have this restriction on their use that the federal school-to-work funds have.

One incentive for increased business involvement cited by respondents to the Virginia Business-Education Partnership survey was increased community recognition for their activities. Governor Allen and the Virginia Business-Education Partnership (VBEP) have recognized some outstanding school-to-work initiatives with the Governor's Partnerships in Education Awards over the past several years. Additional mechanisms for state and community recognition might also encourage further development of apprenticeship programs, mentoring programs, and other school-to-work initiatives.

Business Liability and Labor Law Issues

Some businesses have expressed concerns about liability issues with regard to school-to-work initiatives. The issue of liability for injuries that might occur to students while participating in school-to-work initiatives has continued to remain an issue that has vexed those involved in school-to-work initiatives in virtually every state across the country.

While school liability insurance policies may well cover a school for injury to a student who is participating in a school-to-work program off the school grounds that is part of the student's school curriculum (and for which the student is receiving some type of academic credit), the business will also remain potentially liable for injuries that occur on its premises, according to officials of the National School-to-Work Office. When the student becomes a paid employee of the business, the business is almost certainly solely or primarily liable. Since liability questions related to school-to-work depend so heavily on the particular circumstances of the student's employment (and the employer's insurance coverage), new legislation with regard to liability laws is not recommended absent a more extensive study focused on liability law in this area. The best advice that can be given to businesses participating in apprenticeships or other school-to-work initiatives is to consult closely with their attorneys and insurance agents and to maintain good liability insurance coverage.

With regard to labor laws, businesses need to work closely with the Department of Labor and Industry in making certain that they are meeting all the requirements for paying wages to any student that is providing the business with a significant or substantive benefit from the student's services, even if the student is supposedly only participating in an internship or job shadowing experience, which generally only benefits the student. However, if the student has been

doing the sort of work that is now conferring a significant or substantive benefit on the business, the student must be paid for his services.

The Department of Labor and Industry and the Virginia School-to-Work Office in the Virginia Business-Education Partnership are good sources of information on the minimum ages (and maximum hours) at which students can work in certain jobs. Students generally cannot be employed in certain more hazardous occupations until they have reached the age of eighteen.

**A School-to-Work and Business-Education Partnerships
Resource Manual
and Other Methods for Providing Technical Assistance
to Business and School-to-Work Partnerships**

The Virginia Business-Education Partnership is currently working on a school-to-work resource manual that highlights not only some of the most outstanding school-to-work initiatives in Virginia but also some of the most outstanding business-education partnerships in the Commonwealth. In March 1997, VBEP applied for a technical assistance grant from Lane Community College in Eugene, Oregon on how to develop such a state manual. On December 4-5, representatives of Lane Community College met with VBEP staff and representatives of the private sector, school-to-work grantees, and business-education partnerships from around Virginia to provide technical assistance on preparing such a manual and to provide information on school-to-work initiatives in other states as well.

VBEP also plans to expand its homepage on the internet to include even more examples of some of the best partnerships and school-to-work initiatives around the Commonwealth. This should make it easier for those who want to start up such partnerships and school-to-work initiatives so that they have good examples that they can replicate without having to go back and "reinvent the wheel."

The staff working on apprenticeships at the Department of Labor and Industry and serving the Virginia Apprenticeship Council may also have to be expanded -- as will the Virginia Business-Education Partnership staff as it receives the large federal school-to-work implementation grant for which Virginia is now applying. These two staffs can provide considerable assistance to businesses to help them get more involved in establishing school-to-work initiatives. They also can do even more education and marketing of

apprenticeships, mentoring, and school-to-work initiatives so as to be able to match up even more employers with future employees in order to help meet both of their respective needs.

Virginia should also increase the number of mentoring programs that include job shadowing or internships as a key component. Mentoring programs not only can allow a student to identify possible career interests but also provide the best opportunity for a one-to-one relationship that can have a profound impact on a young person's life.

The Importance of Better Academic Preparation for Students

One of the most frequently cited recommendations from businesspeople involved with apprenticeships and other school-to-work initiatives was to increase the academic preparation of students so that they are better prepared to participate in apprenticeships, work experiences, and other school-to-work initiatives. Businesses indicated that this would make them more inclined to want to participate in future school-to-work initiatives. Virginia's new, more rigorous Standards of Learning, which have been nationally praised by the American Federation of Teachers and other groups, and the newly revised and toughened Standards of Accreditation should enable Virginia to produce many more students who are academically well-prepared for participating, for example, in apprenticeships, work experiences, and school-to-work initiatives -- as well as in that first full-time job.

Local School-to-Work Advisory Committees Involving Business

Increased communication between businesses and educators would certainly help forge increased business-education partnerships and more school-to-work initiatives throughout the Commonwealth. In July 1997, the Director of the Virginia School-to-Work Initiative directed all recipients of federal school-to-work subgrants and state school-to-work transition grants to form local school-to-work advisory committees of businesspeople, educators, parents, students, and other citizens interested in school-to-work. In order to reassure business that it has a vital role and voice in making any school-to-work initiative successful, it is required that at least half of the members of these local school-to-work advisory committees consist of businesspeople (or other private sector employers). By forging new alliances with business and giving business a highly influential role in these initiatives, apprenticeships, mentoring, and other school-to-work

initiatives will become efforts that business will see as worth its time and its investment.

**Summary: Meeting the Overall Needs of Business
So As to Create More Successful School-to-Work Initiatives**

Additional business influence in school-to-work initiatives will also serve to make certain that the planning of these initiatives is particularly inclusive of business's needs -- and that these initiatives are not just planned based solely on what educators want or on the sole desires of any other group. Some of the less successful school-to-work initiatives have involved leaders who were slow to make the case to businesspeople about how the initiative would help businesses make a greater profit, meet a payroll, and obtain employees who are better educated in the basics and prepared to go to work.

In short, businesses need to be courted -- just as legislators are courted and lobbied. School-to-work initiatives will seldom work or last if businesses feel their needs are not being clearly addressed. The Virginia Business-Education Partnership sees addressing businesses' needs as paramount to establishing successful school-to-work initiatives and creating more school-to-work initiatives. The Virginia Business-Education Partnership certainly will continue to work with the Virginia Economic Development Partnership, the Virginia Department of Labor and Industry, and the Virginia Apprenticeship Council to do everything possible to involve business heavily in creating more successful apprenticeship programs, mentoring programs, and school-to-work transition initiatives across the Commonwealth of Virginia.

APPENDIX A

HOUSE JOINT RESOLUTION 651

1997 SESSION

971861482

HOUSE JOINT RESOLUTION NO. 651
AMENDMENT IN THE NATURE OF A SUBSTITUTE
(Proposed by the Senate Committee on Rules
on February 17, 1997)
(Patron Prior to Substitute-Delegate Wagner)

Requesting the Department of Education, in cooperation of the Departments of Labor and Industry and Taxation, to study ways to encourage business participation in school-to-work transition initiatives, mentoring, and apprenticeship programs.

WHEREAS, recognizing the need to provide broad opportunities for students in the public schools to explore career options, receive advanced technical skills training, and enhance their eligibility for postsecondary education and successful employment, the 1995 Session of the General Assembly authorized local school boards to establish school-to-work programs for public school students in grades five through twelve; and

WHEREAS, to enhance these transition programs, school boards are to "develop appropriate interagency linkages with public and private institutions of higher education, labor and industry councils, the business community, rehabilitative services providers, and employment and guidance services to assist such students in acquiring necessary work habits, developing marketable skills, and identifying career goals through a broad range of educational and career opportunities and mentoring and apprenticeship programs"; and

WHEREAS, to demonstrate support for these and other school-to-work initiatives, the 1996 Session created the School-To-Work Transition Grants Program, providing for competitive grants for model programs promoting the effective transition from the school environment to the workplace and for school-to-work transition programs established pursuant to § 22.1-209.01; and

WHEREAS, the participation of businesses in school-to-work programs and other initiatives, such as apprenticeships and mentoring programs, is essential to ensure increased opportunities for the education and training of the Commonwealth's young people; and

WHEREAS, the creation of incentives to enhance business participation in these programs requires consideration of a variety of financial and policy issues; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Department of Education, in cooperation with the Departments of Labor and Industry and Taxation, be requested to study ways to encourage business participation in school-to-work transition initiatives, mentoring, and apprenticeship programs. The Department, working through the Secretary of Education's Virginia Business Education Partnership Program, shall consider, among other things, current school-to-work, mentoring, and apprenticeship programs in the Commonwealth and in other states; the feasibility and appropriateness of providing financial incentives, such as tax credits, to encourage business participation in such initiatives; potential business liability and labor law concerns; and such other issues as it deems appropriate.

All agencies of the Commonwealth shall provide assistance to the Department of Education and the Virginia Business Education Partnership, upon request.

The Department of Education shall complete its work in time to submit its findings and recommendations to the Governor and the 1998 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

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APPENDIX B

INTERNAL REVENUE CODE SECTION 162

PART VI—ITEMIZED DEDUCTIONS FOR INDIVIDUALS AND CORPORATIONS

Sec.	
161.	Allowance of deductions.
162.	Trade or business expenses.
163.	Interest.
164.	Taxes.
165.	Losses.
166.	Bad debts.
167.	Depreciation.
168.	Accelerated cost recovery system.
169.	Amortization of pollution control facilities.
170.	Charitable, etc., contributions and gifts.
171.	Amortizable bond premium.
172.	Net operating loss deduction.
173.	Circulation expenditures.
174.	Research and experimental expenditures.
175.	Soil and water conservation expenditures.
176.	Payments with respect to employees of certain foreign corporations.
[177.	Repealed.]
178.	Amortization of cost of acquiring a lease.
179.	Election to expense certain depreciable business assets.

Sec.	
179A.	Deduction for clean-fuel vehicles and certain refueling property.
180.	Expenditures by farmers for fertilizer, etc.
[181, 182.	Repealed.]
183.	Activities not engaged in for profit.
[184, 185.	Repealed.]
186.	Recoveries of damages for antitrust violations, etc.
[187 to 189.	Repealed.]
190.	Expenditures to remove architectural and transportation barriers to the handicapped and elderly.
191.	Amortization of certain rehabilitation expenditures for certified historic structures. ¹
192.	Contributions to black lung benefit trust.
193.	Tertiary injectants.
194.	Amortization of reforestation expenditures.
194A.	Contributions to employer liability trusts.
195.	Start-up expenditures.
196.	Deduction for certain unused business credits.
197.	Amortization of goodwill and certain other intangibles.

¹ Pub.L. 97-34 repealed section 191 without striking out item 191 in this analysis of sections.

§ 161. Allowance of deductions

In computing taxable income under section 63, there shall be allowed as deductions the items specified in this part, subject to the exceptions provided in part IX (sec. 261 and following, relating to items not deductible).

(Aug. 16, 1954, c. 736, 68A Stat. 45; May 23, 1977, Pub.L. 95-30, Title I, § 102(b) (1), 91 Stat. 137.)

HISTORICAL AND STATUTORY NOTES

Effective Dates

1977 Act. Amendment by Pub.L. 95-30 applicable to taxable years beginning after Dec. 31, 1976, see § 106(a) of Pub.L. 95-30, set out as an Effective Date of 1977 Amendment note under § 1 of this title.

§ 162. Trade or business expenses

(a) In general.—There shall be allowed as a deduction all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including—

(1) a reasonable allowance for salaries or other compensation for personal services actually rendered;

(2) traveling expenses (including amounts expended for meals and lodging other than amounts which are lavish or extravagant under the circumstances) while away from home in the pursuit of a trade or business; and

(3) rentals or other payments required to be made as a condition to the continued use or possession, for purposes of the trade or business; of property to which the taxpayer has not taken or is not taking title or in which he has no equity.

For purposes of the preceding sentence, the place of residence of a Member of Congress (including any Delegate and Resident Commissioner) within the State, congressional district, or possession which he represents in Congress shall be considered his home, but amounts expended by such Members within each taxable year for living expenses shall not be deductible for income tax purposes in excess of \$3,000. For purposes of paragraph (2), the taxpayer shall not be treated as being temporarily away from home during any period of employment if such period exceeds 1 year.

(b) Charitable contributions and gifts excepted.—No deduction shall be allowed under subsection (a) for any contribution or gift which would be allowable as a deduction under section 170 were it not for the percentage limitations, the dollar limitations, or the requirements as to the time of payment, set forth in such section.

(c) Illegal bribes, kickbacks, and other payments.—

(1) Illegal payments to government officials or employees.—No deduction shall be allowed under subsection (a) for any payment made, directly or indirectly, to an official or employee of any government, or of any agency or instrumentality of any government, if the payment constitutes an illegal bribe or kickback or, if the payment is to an official or employee of a foreign government, the payment is unlawful under the Foreign Corrupt Practices Act of 1977. The burden of proof in respect of the issue, for the purposes of this paragraph, as to whether a payment constitutes an illegal bribe or kickback (or is unlawful under the Foreign Corrupt Practices Act of 1977) shall be upon the Secretary to the same

APPENDIX C

**CODE OF VIRGINIA SECTION 58.1-439.6
("WORKER RETRAINING TAX CREDIT")**

approved by the Virginia Soil and Water Conservation Board (VSWCB) which will provide a significant improvement to water quality in the state's streams and rivers and the Chesapeake Bay and is consistent with other state and federal programs that address agricultural, nonpoint-source-pollution management. Eligible practices shall include, but are not limited to, the following:

1. Livestock-waste and poultry-waste management;
2. Soil erosion control;
3. Nutrient and sediment filtration and detention;
4. Nutrient management; and
5. Pest management and pesticide handling.

A detailed list of the standards and criteria for practices eligible for credit shall be found in the most recently approved "Virginia Agricultural BMP Implementation Manual" published by the Department of Conservation and Recreation.

B. Any practice approved by the local Soil and Water Conservation District Board shall be completed within the taxable year in which the credit is claimed. After the practice installation has been completed, the local SWCD Board shall certify the practice as approved and completed, and eligible for credit. The applicant shall forward the certification to the Department of Taxation on forms provided by the Department. The credit shall be allowed only for expenditures made by the taxpayer from funds of his own sources.

C. The amount of such credit shall not exceed \$17,500 or the total amount of the tax imposed by this chapter, whichever is less, in the year the project was completed, as certified by the Board. If the amount of the credit exceeds the taxpayer's liability for such taxable year, the excess may be carried over for credit against income taxes in the next five taxable years until the total amount of the tax credit has been taken.

D. For purposes of this section, the amount of any credit attributable to agricultural best management practices by a partnership or electing small business corporation (S Corporation) shall be allocated to the individual partners or shareholders in proportion to their ownership or interest in the partnership or S Corporation. (1996, c. 629.)

The number of this section was assigned by the Virginia Code Commission, the number in the 1996 act having been 58.1-439.4

§ 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 Virginia Apprenticeship Council.

"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.

B. For taxable years beginning on and after January 1, 1999, 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 of this title in an amount equal to thirty percent of all expenditures paid or incurred by the employer during the taxable year for eligible worker retraining. However, 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. The total amount of tax credits granted to employers under this section for each fiscal year shall not exceed \$2,500,000.

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

D. An employer shall be entitled to the credit granted under this section only for those courses at a community college or a private school which courses have been certified as eligible worker retraining to the Department of Taxation by the Department of Business Assistance. The Tax Commissioner shall promulgate regulations, in accordance with the Administrative Process Act (§ 9-6.14:1 et seq.), (i) establishing procedures for claiming the credit provided by this section, (ii) defining eligible worker retraining, which shall include only those courses and programs that are substantially related to the duties of a qualified employee or that enhance the qualified employee's job-related skills, and that promote economic development, and (iii) providing for the allocation of credits among employers requesting credits in the event that the amount of credits for which requests are made exceeds the available amount of credits in any year. The Department of Business Assistance shall review requests for certification submitted by employers and shall advise the Tax Commissioner whether a course or program qualifies as eligible worker retraining.

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

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

G. The Director of the Department of Business Assistance shall report annually to the chairmen of the House Finance and Senate Finance Committees on the status and implementation of the credit established by this section, including certifications for eligible worker retraining. (1997, c. 726.)

ARTICLE 14.

Accounting, Returns, Procedures for Corporations.

§ 58.1-440. **Accounting.** — A. A corporate taxpayer's taxable year under this chapter shall be the same as his taxable year for federal income tax purposes.

B. If a taxpayer's taxable year is changed for federal income tax purposes, his taxable year for purposes of this chapter shall be similarly changed. If a

APPENDIX D

**CODE OF VIRGINIA SECTIONS 58.1-333,
58.1-430, 63.1-320 et seq.
("NEIGHBORHOOD ASSISTANCE ACT TAX CREDIT")**

C. For purposes of this section, the amount of any state income tax paid by an electing small business corporation (S corporation) shall be deemed to have been paid by its individual shareholders in proportion to their ownership of the stock of such corporation. (Code 1950, § 58-151.015; 1971, Ex. Sess., c. 171; 1972, c. 827; 1984, c. 675; 1985, c. 466; 1991, cc. 362, 456; 1992, c. 317; 1994, c. 195.)

Editor's note. — Acts 1991, cc. 362 and 456, which amended this section, provide in cl. 2: "That the provisions of § 58.1-332 shall be effective for taxable years beginning on or after January 1, 1987."

Acts 1991, cc. 362 and 456, which amended this section, in cl. 3 provide: "That no protective claim for refund filed with the Department of Taxation pursuant to § 58.1-1824 prior to the date of the introduction of this bill [Jan. 22, 1991] shall be affected by the passage thereof."

As to the Virginia Medical Savings Account Act, and the role therein by the Department of Taxation in developing a plan for related tax credits, see § 38.2-5600 et seq.

The 1991 amendments. — The 1991 amendments by cc. 362 and 456, effective July 1, 1991, are identical, and in subsection A, in the first paragraph substituted "Virginia resident" for "resident of the Commonwealth," substituted "to another state for income tax on any" for "for income tax to another state, on," deleted "or any part thereof" following "business income," substituted "outside" for "without," "such tax" for "income tax," "the taxpayer's return" for "his return," and "to the other" for "by him to such other," added the second para-

graph, and substituted "the other state" for "such other state" in the first sentence of the third paragraph; and in subsection B, in the first sentence substituted "to the state where he resides for income tax" for "for income tax to the state where he resides," and substituted "such tax payable under this chapter" for "income tax payable by him under this chapter." See Editor's note.

Law Review. — For 1987 survey of Virginia taxation law, see 21 U. Rich. L. Rev. 837 (1987).

Local income tax imposed by former Md. Ann. Code (1957), Art. 81, § 283, is not an "income tax to the state" within the meaning of this section and therefore does not qualify for the credit against Virginia income taxes provided by this section. Department of Taxation v. Smith, 232 Va. 407, 350 S.E.2d 645 (1986).

District of Columbia's tax on the net income of unincorporated businesses is an income tax; and a Virginia resident, who does business in the District of Columbia and pays the tax there, is entitled to credit against his Virginia income taxes for the amount paid to the District of Columbia. King v. Forst, 239 Va. 557, 391 S.E.2d 60 (1990).

§ 58.1-333. Tax credit for donations under the Neighborhood Assistance Act. — Any business firm, as defined in § 63.1-321, shall be allowed a credit against the tax imposed by Article 2 (§ 58.1-320 et seq.) of this chapter of an amount equal to forty-five percent of the total sum donated under the Neighborhood Assistance Act (§ 63.1-320 et seq.) during the taxable year, as provided in § 63.1-324. (Code 1950, § 58-151.032:4; 1981, c. 629; 1984, c. 675; 1988, c. 899; 1997, c. 640.)

Editor's note. — Acts 1981, c. 629 enacted § 58-151.032:4 and by a fourth enactment clause provided that it would expire June 30, 1986 and provided a provision relating to the carry over of tax credits. That section, along with all other sections in Title 58, was repealed by Acts 1984, c. 675, which also added Title 58.1. Sections 58.1-333 and 58.1-430, as a part of new Title 58.1, were enacted substantially the same as § 58-151.032:4, but no reference was made to an expiration or the carry over of tax credits.

Acts 1981, c. 629, as amended by Acts 1986, c. 407, Acts 1990, c. 660, Acts 1995, c. 779, and Acts 1996, c. 936, cl. 2, provides: "That this act shall expire on July 1, 2000, and be of no further force and effect; however, a business firm which received the tax credit provided by

this act while it was in effect shall be entitled to carry over that credit for the next five succeeding taxable years whether or not this act shall expire on July 1, 2000."

The 1997 amendment rewrote this section which formerly read: "Any business firm, as defined in § 63.1-321, shall be allowed a credit against the tax imposed by § 58.1-320 or Chapter 12 of this title, §§ 58.1-2501 and 58.1-2626 of an amount equal to fifty percent of the total sum invested under the Neighborhood Assistance Act of 1981 (§ 63.1-320 et seq.) during the taxable year, such credit not to exceed \$175,000 annually. No tax credit of less than fifty dollars shall be granted, nor shall a tax credit be granted to any business firm for investments if such activity is part of its normal course of business as defined in § 63.1-321. Any

tax credit not usable for the taxable year the investment was made may be carried over to the extent usable for the next five succeeding taxable years or until the full credit is utilized,

whichever is sooner. Credits granted to a partnership or S corporation shall be passed through to the partners or shareholders, respectively."

§ 58.1-334. Tax credit for purchase of conservation tillage equipment. — A. Any individual shall be allowed a credit against the tax imposed by § 58.1-320 of an amount equaling twenty-five percent of all expenditures made for the purchase and installation of conservation tillage equipment used in agricultural production by the purchaser. As used in this section the term "*conservation tillage equipment*" means a planter or drill commonly known as a "no-till" planter or drill, designed to minimize disturbance of the soil in planting crops, including such planters or drills which may be attached to equipment already owned by the taxpayer.

B. The amount of such credit shall not exceed \$2,500 or the total amount of tax imposed by this chapter, whichever is less, in the year of purchase. If the amount of such credit exceeds the taxpayer's tax liability for such tax year, the amount which exceeds the tax liability may be carried over for credit against the income taxes of such individual in the next five taxable years until the total amount of the tax credit has been taken.

C. For purposes of this section, the amount of any credit attributable to the purchase and installation of conservation tillage equipment by a partnership or electing small business corporation (S corporation) shall be allocated to the individual partners or shareholders in proportion to their ownership or interest in the partnership or S corporation. (1985, c. 560; 1990, c. 416.)

§ 58.1-335: Repealed by Acts 1990, c. 875, effective for taxable years beginning on and after January 1, 1990.

Editor's note. — The repealed section was derived from Acts 1989, c. 590, and amended by Acts 1990, c. 830.

§ 58.1-336. Low-income housing credit. — A. Any person shall be entitled to a credit against the tax imposed by § 58.1-320 in the amount certified to the Department pursuant to § 36-55.63 for the first five taxable years in which a federal low-income housing credit is allowed for low-income housing units placed in service on or after January 1, 1998. Credits granted to a partnership or S corporation shall be passed through to the partners or shareholders, respectively.

B. Any person claiming a credit pursuant to subsection A shall be subject to recapture of the credit pursuant to § 36-55.63. Any credit recapture shall be assessed and collected in the same manner as a tax attributable to a change in federal taxable income within the meaning of § 58.1-311. (1989, c. 280; 1990, c. 830; 1992, cc. 325, 347; 1994, c. 611; 1996, cc. 580, 826.)

The number of this section was assigned by the Code Commission, the number in the 1989 act having been 58.1-335.

Editor's note. — Acts 1994, c. 611, which amended this section, in cl. 2 provides: "That all funds generated by the enactment of this act, except for the one-half percent sales and use tax deposited in the Transportation Trust Fund and the one percent sales and use tax returned to localities by point of sale, shall be deposited in the general fund and used for reducing class

sizes in grades kindergarten through 3, based on the concentration of student poverty at the school level; providing programs for unserved at-risk four-year-olds; and providing expanded access to educational technology, as set forth in the general appropriation act."

Effective date. — Acts 1989, c. 280, cl. 2 made this section effective for taxable years beginning on and after Jan. 1, 1990.

The 1996 amendments. — The 1996 amendments by cc. 580 and 826, effective July

is reasonably attributable to business or sources within this Commonwealth, it shall be entitled to file with the Department a statement of its objections and of such alternative method of allocation or apportionment as it believes to be proper under the circumstances with such detail and proof and within such time as the Department may reasonably prescribe. If the Department concludes that the method of allocation or apportionment theretofore employed is in fact inapplicable or inequitable, it shall redetermine the taxable income by such other method of allocation or apportionment as seems best calculated to assign to the Commonwealth for taxation the portion of the income reasonably attributable to business and sources within the Commonwealth, not exceeding, however, the amount which would be arrived at by application of the statutory rules for allocation or apportionment. (Code 1950, § 58-151.051; 1971, Ex. Sess., c. 171; 1984, c. 675.)

Law Review. — For survey of Virginia taxation law for the year 1975-1976, see 62 Va. L. Rev. 1479 (1976).

The corporate income taxpayer under this section has no absolute right to use an

alternative method of allocation and apportionment. *Commonwealth, Dep't of Taxation v. Lucky Stores, Inc.*, 217 Va. 121, 225 S.E.2d 870 (1976) (decided under prior law).

ARTICLE 11.

Reserved.

ARTICLE 12.

Reserved.

ARTICLE 13.

Tax Credits for Corporations.

Editor's note. — As to the Virginia Medical Savings Account Act, and the role therein by the Department of Taxation in developing a

plan related to tax credits, see § 38.2-5600 et seq.

§ 58.1-430. Tax credit for donations under the Neighborhood Assistance Act. — Any business firm, as defined in § 63.1-321, shall be allowed a credit against the tax imposed by Article 10 (§ 58.1-400 et seq.) of this chapter of an amount equal to forty-five percent of the total sum donated under the Neighborhood Assistance Act (§ 63.1-320 et seq.) during the taxable year, as provided in § 63.1-324. (Code 1950, § 58-151.032:4; 1981, c. 629; 1984, c. 675; 1988, c. 899; 1997, c. 640.)

Editor's note. — Acts 1981, c. 629 enacted § 58-151.032:4 and by a fourth enactment clause provided that it would expire June 30, 1986 and provided a provision relating to the carry over of tax credits. That section, along with all other sections in Title 58, was repealed by Acts 1984, c. 675, which also added Title 58.1. Sections 58.1-333 and 58.1-430, as a part of new Title 58.1, were enacted substantially the same as § 58-151.032:4, but no reference was made to an expiration or the carry over of tax credits.

Acts 1981, c. 629, as amended by Acts 1986, c. 407, Acts 1990, c. 660, Acts 1995, c. 779, and Acts 1996, c. 936, cl. 2, provides: "That this act

shall expire on July 1, 2000, and be of no further force and effect; however, a business firm which received the tax credit provided by this act while it was in effect shall be entitled to carry over that credit for the next five succeeding taxable years whether or not this act shall expire on July 1, 2000."

The 1997 amendment rewrote this section which formerly read: "Any business firm, as defined in § 63.1-321, shall be allowed a credit against the tax imposed by § 58.1-400 or Chapter 12 of this title, §§ 58.1-2501 and 58.1-2626 of an amount equal to fifty percent of the total sum invested under the Neighborhood Assistance Act of 1981 (§ 63.1-320 et seq.) during

the taxable year, such credit not to exceed \$175,000 annually. No tax credit of less than fifty dollars shall be granted, nor shall a tax credit be granted to any business firm for investments if such activity is a part of its normal course of business as defined in § 63.1-321. Any tax credit not usable for the taxable

year the investment was made may be carried over to the extent usable for the next five succeeding taxable years or until the full credit is utilized, whichever is sooner. Credits granted to a partnership or Subchapter S corporation shall be passed through to the partners or shareholders, respectively."

§ 58.1-431. Energy income tax credit. — A. Any corporation shall be allowed a credit against the tax imposed by § 58.1-400 of an amount equaling twenty percent of renewable energy source expenditures made after January 1, 1985, and before January 1, 1986; a credit of an amount equaling fifteen percent of renewable energy source expenditures made after January 1, 1986, and before January 1, 1987; and a credit of an amount equaling ten percent of renewable energy source expenditures made after January 1, 1987, and before January 1, 1988, by such corporate taxpayer. Only one such credit shall be permitted for each individual expenditure. The Tax Commissioner shall adopt rules and regulations for the certification of such expenditures using the definitions of § 23 of the Internal Revenue Code as it relates to individuals whenever practicable.

B. The amount of such credit shall not exceed \$1,000 for a qualified renewable energy source expenditure or the tax imposed by this chapter, whichever is less. In determining such expenditures, the labor of the taxpayer shall not be included.

C. If the credit allowable, but not in excess of \$1,000 for each qualified expenditure for any taxable year, exceeds the tax imposed by this chapter for such taxable year, such excess may be carried to the succeeding taxable year by the taxpayer and added to any credit allowable under subsection A for such succeeding taxable year. (Code 1950, § 58-151.014:2; 1982, c. 324; 1984, c. 675; 1985, c. 221.)

§ 58.1-432. Tax credit for purchase of conservation tillage equipment. — A. Any corporation shall be allowed a credit against the tax imposed by § 58.1-400 of an amount equaling twenty-five percent of all expenditures made for the purchase and installation of conservation tillage equipment used in agricultural production by the purchaser. As used in this section, the term "conservation tillage equipment" means a planter or drill commonly known as a "no-till" planter or drill, designed to minimize disturbance of the soil in planting crops, including such planters or drills which may be attached to equipment already owned by the taxpayer.

B. The amount of such credit shall not exceed \$2,500 or the total amount of tax imposed by this chapter, whichever is less, in the year of purchase. If the amount of such credit exceeds the taxpayer's tax liability for such tax year, the amount which exceeds such tax liability may be carried over for credit against income taxes in the next five taxable years until the total amount of the tax credit has been taken.

C. For purposes of this section, the amount of any credit attributable to the purchase and installation of conservation tillage equipment by a partnership or electing small business corporation (S corporation) shall be allocated to the individual partners or shareholders in proportion to their ownership or interest in the partnership or S corporation. (1985, c. 560; 1990, c. 416.)

§ 58.1-433. (Effective until December 31, 2001) Qualifying cogenerators and small power producers credit. — A. For all taxable years beginning on and after January 1, 1988, every cogenerator as defined in § 58.1-2600 shall be allowed a credit against the tax imposed by § 58.1-400 in

CHAPTER 17.1.

STATEWIDE HUMAN SERVICES INFORMATION AND REFERRAL PROGRAM.

Sec.

63.1-314.8. Technical Assistance Committee created; duties; membership.

§ 63.1-314.8. **Technical Assistance Committee created; duties; membership.** — A. There is hereby created a Technical Assistance Committee, which shall provide technical and support services on the operations of the information and referral system as the Council may deem appropriate and shall advise the Council in performing its powers and duties.

B. The membership of the Technical Assistance Committee shall include but not be limited to:

1. Two directors of local departments of public welfare or social services, one serving a rural and one an urban locality, to be appointed by the Commissioner of Social Services; and

2. The Commissioners or Directors, or their designees, of the Department of Medical Assistance Services; Department of Health; Department of Mental Health, Mental Retardation and Substance Abuse Services; Department of Rehabilitative Services; Department for the Aging; Department for the Visually Handicapped; Department for Rights of Virginians With Disabilities; Department of Information Technology; Department for the Deaf and Hard-of-Hearing; Department of Health Professions; Department of Corrections; Department of Education; Department of Juvenile Justice; and the Virginia Employment Commission. (1990, c. 915; 1991, c. 563; 1996, c. 492.)

The 1996 amendment inserted "and" at the end of subdivision B 1, deleted "and" at the end of subdivision B 2, and deleted former subdivi-

sion B 3 which read: "The Director of the Virginia Council on Child Day Care and Early Childhood Programs."

CHAPTER 19.

NEIGHBORHOOD ASSISTANCE ACT.

Sec.

63.1-320. Short title.
63.1-321. Definitions.
63.1-322. Public policy; business firms; donations.
63.1-323. Proposals; regulations; tax credits

Sec.

authorized; amount for programs.
63.1-324. Tax credit; amount; limitation; carry over.
63.1-325. Donations of professional services.

§ 63.1-320. **Short title.** — This chapter shall be known and may be cited as the "Neighborhood Assistance Act." (1981, c. 629; 1997, c. 640.)

Editor's note. — Acts 1981, c. 629, cl. 4, as amended by Acts 1986, c. 407, Acts 1990, c. 660, Acts 1995, c. 779, and Acts 1996, cc. 694 and 936, cls. 2, provide: "That this act shall expire on July 1, 2000, and be of no further force and effect; however, a business firm which received the tax credit provided by this act while it was

in effect shall be entitled to carry over that credit for the next five succeeding taxable years whether or not this act shall expire on July 1, 2000."

The 1997 amendment deleted "of 1981" at the end of the section.

§ 63.1-321. Definitions. — As used in this chapter:

"Business firm" means any corporation, partnership, electing small business (Subchapter S) corporation, limited liability company, or sole proprietorship authorized to do business in this Commonwealth subject to tax imposed by Articles 2 (§ 58.1-320 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 of Title 58.1.

"Community services" means any type of counseling and advice, emergency assistance, medical care, provision of basic necessities, or services designed to minimize the effects of poverty, furnished primarily to impoverished people.

"Education" means any type of scholastic instruction or scholarship assistance to an individual who is impoverished.

"Housing assistance" means furnishing financial assistance, labor, material, or technical advice to aid the physical improvement of the homes of impoverished people.

"Impoverished people" means people in Virginia approved as such by the State Board of Social Services. Such approval shall be made on the basis of generally recognized low income criteria used by federal and state agencies.

"Job training" means any type of instruction to an individual who is impoverished that enables him to acquire vocational skills so that he can become employable or able to seek a higher grade of employment.

"Neighborhood assistance" means providing community services, education, housing assistance, or job training.

"Neighborhood organization" means any local, regional or statewide organization whose primary function is providing neighborhood assistance for impoverished people, and holding a ruling from the Internal Revenue Service of the United States Department of the Treasury that the organization is exempt from income taxation under the provisions of §§ 501 (c) (3) and 501 (c) (4) of the Internal Revenue Code of 1986, as amended from time to time, or any organization defined as a community action agency in the Economic Opportunity Act of 1964 (42 U.S.C. § 2701 et seq.), or any housing authority as defined in § 36-3.

"Professional services" means any type of personal service to the public which requires as a condition precedent to the rendering of such service the obtaining of a license or other legal authorization and shall include, but shall not be limited to, the personal services rendered by medical doctors, dentists, architects, professional engineers, certified public accountants and attorneys-at-law. (1981, c. 629; 1982, c. 178; 1984, c. 720; 1989, c. 310; 1996, c. 77; 1997, c. 640.)

Editor's note. — Acts 1981, c. 629, cl. 4, as amended by Acts 1986, c. 407, Acts 1990, c. 660, Acts 1995, c. 779, and Acts 1996, cc. 694 and 936, cls. 2, provide: "That this act shall expire on July 1, 2000, and be of no further force and effect; however, a business firm which received the tax credit provided by this act while it was in effect shall be entitled to carry over that

credit for the next five succeeding taxable years whether or not this act shall expire on July 1, 2000."

The 1996 amendment substituted "savings institution" for "savings and loan association" in the paragraph defining "Business firm."

The 1997 amendment rewrote this section.

§ 63.1-322. Public policy; business firms; donations. — It is hereby declared to be public policy of the Commonwealth of Virginia to encourage business firms to make donations to neighborhood organizations for the benefit of impoverished people. (1981, c. 629; 1997, c. 640.)

Editor's note. — Acts 1981, c. 629, cl. 4, as amended by Acts 1986, c. 407, Acts 1990, c. 660, Acts 1995, c. 779, and Acts 1996, cc. 694 and

936, cls. 2, provide: "That this act shall expire on July 1, 2000, and be of no further force and effect; however, a business firm which received

the tax credit provided by this act while it was in effect shall be entitled to carry over that credit for the next five succeeding taxable years whether or not this act shall expire on July 1, 2000."

The 1997 amendment rewrote this section, which formerly read: "It is hereby declared to be public policy of the Commonwealth of Vir-

ginia to encourage direct investment by business firms in offering neighborhood assistance and providing job training, education, crime prevention, and community services to neighborhood organizations to benefit individuals living in impoverished areas or impoverished people."

§ 63.1-323. Proposals; regulations; tax credits authorized; amount for programs. — A. Any neighborhood organization may submit a proposal to the Commissioner of Social Services or his designee requesting an allocation of tax credits for use by business firms making donations to the neighborhood organization. The proposal shall set forth the program to be conducted by the neighborhood organization, the impoverished people to be assisted, the estimated amount to be donated to the program and the plans for implementing the program.

B. The State Board of Social Services is hereby authorized to promulgate regulations for the approval or disapproval of such proposals by neighborhood organizations and for determining the value of the donations. Such regulations shall contain a requirement that an annual audit be provided by the neighborhood organization as a prerequisite for approval. Such regulations shall provide for the equitable allocation of the available amount of tax credits among the approved proposals submitted by neighborhood organizations. The regulations shall also provide that at least ten percent of the available amount of tax credits each year shall be allocated to qualified programs proposed by neighborhood organizations not receiving allocations in the preceding year; however, if the amount of tax credits for qualified programs requested by such neighborhood organizations is less than ten percent of the available amount of tax credits, the unallocated portion of such ten percent of the available amount of tax credits shall be allocated to qualified programs proposed by other neighborhood organizations.

C. If the Commissioner of Social Services or his designee approves a proposal submitted by a neighborhood organization, the organization shall make the allocated tax credit amounts available to business firms making donations to the approved program. A neighborhood organization shall not assign or transfer an allocation of tax credits to another neighborhood organization without the approval of the Commissioner of Social Services or his designee.

D. Through June 30, 1998, the total amount of tax credits granted for programs approved under this chapter for each fiscal year shall not exceed \$5,250,000. From July 1, 1998, through June 30, 2000, the total amount of tax credits granted for programs approved under this chapter for each fiscal year shall not exceed eight million dollars; however, the \$2,750,000 annual increase in the amount of tax credits during the period July 1, 1998, through June 30, 2000, shall be allocated to education programs conducted by neighborhood organizations. Such allocation of the increase in the amount of tax credits to education programs shall constitute the minimum amount of tax credits to be allocated to education programs. However, if the amount of tax credits requested by neighborhood organizations for qualified education programs is less than \$2,750,000 in fiscal year 1998-1999 or fiscal year 1999-2000, the balance of such amount shall be allocated to other types of qualified programs. Tax credits shall not be authorized after fiscal year 2000. (1981, c. 629; 1982, c. 178; 1984, cc. 348, 720; 1986, c. 407; 1989, c. 310; 1993, c. 192; 1994, c. 611; 1996, cc. 694, 936; 1997, c. 640.)

Editor's note. — Acts 1981, c. 629, cl. 4, as amended by Acts 1986, c. 407, Acts 1990, c. 660, Acts 1995, c. 779, and Acts 1996, cc. 694 and 936, cl. 2, provide: "That this act shall expire on July 1, 2000, and be of no further force and effect; however, a business firm which received the tax credit provided by this act while it was in effect shall be entitled to carry over that credit for the next five succeeding taxable years whether or not this act shall expire on July 1, 2000."

The 1996 amendments. — The 1996 amendment by c. 694 substituted "June 30, 1998" for "June 30, 1996" in the ninth sentence, in the tenth sentence, substituted "July 1, 1998" for "July 1, 1996" and substituted "June

30, 2000" for "June 30, 1998," and substituted "after fiscal year 2000" for "after fiscal year 1998" in the eleventh sentence.

The 1996 amendment by c. 936, in the seventh sentence, substituted "State Board" for "Commissioner" and deleted "or his designee" following "of Social Services," substituted "June 30, 1998" for "June 20, 1996" in the ninth sentence, substituted "July 1 1998, through June 30, 2000" for "July 1, 1996 through June 30, 1998" in the tenth sentence, added the present eleventh sentence and substituted "fiscal year 2000" for "fiscal year 1998" following "shall not be authorized after" in the last sentence.

The 1987 amendment rewrote this section.

§ 63.1-324. Tax credit; amount; limitation; carry over. — A. The Commissioner of Social Services or his designee shall certify to the Department of Taxation, or in the case of business firms subject to a tax under Article 1 (§ 58.1-2500 et seq.) of Chapter 25 or Article 2 (§ 58.1-2620 et seq.) of Chapter 26 of Title 58.1, to the State Corporation Commission, the applicability of the tax credit provided herein for a business firm.

B. A business firm shall be eligible for a credit against the taxes imposed by Articles 2 (§ 58.1-320 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 of Title 58.1, in an amount equal to forty-five percent of the value of the money, property, and professional services donated by the business firm during its taxable year to neighborhood organizations for programs approved pursuant to § 63.1-323. No tax credit of less than \$400 shall be granted for any donation, and a business firm shall not be allowed a tax credit in excess of \$175,000 per taxable year. No tax credit shall be granted to any business firm for donations to a neighborhood organization providing job training or education for individuals employed by the business firm. Any tax credit not usable for the taxable year the donation was made may be carried over to the extent usable for the next five succeeding taxable years or until the full credit has been utilized, whichever is sooner. Credits granted to a partnership, electing small business (Subchapter S) corporation, or limited liability company shall be allocated to their individual partners, shareholders, or members, respectively, in proportion to their ownership or interest in such business entities.

C. A tax credit shall be issued by the Commissioner of Social Services to a business firm upon receipt of a certification made by a neighborhood organization to whom tax credits were allocated for an approved program pursuant to § 63.1-323. The certification shall identify the type and value of the donation received and the business firm making the donation. A business firm shall be eligible for a tax credit under this section only to the extent that sufficient tax credits allocated to the neighborhood organization for an approved project are available. (1981, c. 629; 1982, c. 178; 1984, c. 720; 1986, c. 407; 1989, c. 310; 1995, c. 279; 1996, c. 77; 1997, cc. 229, 640.)

Editor's note. — Acts 1981, c. 629, cl. 4, as amended by Acts 1986, c. 407, Acts 1990, c. 660, Acts 1995, c. 779, and Acts 1996, cc. 694 and 936, cl. 2, provide: "That this act shall expire on July 1, 2000, and be of no further force and effect; however, a business firm which received the tax credit provided by this act while it was

in effect shall be entitled to carry over that credit for the next five succeeding taxable years whether or not this act shall expire on July 1, 2000."

The 1996 amendment substituted "savings institution" for "savings and loan association" near the end of the first sentence.

The 1997 amendments. — The 1997 amendment by c. 229 inserted "or to a clinic operated not for profit providing health care services for charges not exceeding those set forth in a scale prescribed by the State Board of Health pursuant to § 32.1-11 for charges to be paid by persons based upon ability to pay" in

the second sentence. Because of a conflict with the amendment by c. 640, this amendment, at the direction of the Code Commission, was not implemented.

The 1997 amendment by c. 640 rewrote this section.

§ 63.1-325. Donations of professional services. — A. A sole proprietor or partnership engaged in the business of providing professional services shall be eligible for a tax credit under this chapter based on the time spent by the proprietor or a partner, respectively, who renders professional services to a program which has received an allocation of tax credits from the Commissioner of Social Services or his designee. The value of the professional services, for purposes of determining the amount of the tax credit allowable, rendered by the proprietor or a partner to an approved program shall not exceed the lesser of (i) the reasonable cost for similar services from other providers or (ii) \$125 per hour.

B. A business firm shall be eligible for a tax credit under this chapter for the time spent by a salaried employee who renders professional services to an approved program. The value of the professional services, for purposes of determining the amount of tax credit allowed to a business firm for time spent by its salaried employee in rendering professional services to an approved project, shall be equal to the salary that such employee was actually paid for the period of time that such employee rendered professional services to the approved program.

C. Notwithstanding any provision of this chapter limiting eligibility for tax credits to business firms, physicians and dentists licensed pursuant to Title 54.1 who provide health care services within the scope of their licensure, without charge, at a clinic which has received an allocation of tax credits from the Commissioner of Social Services or his designee and is organized in whole or in part for the delivery of health care services without charge, or shall be eligible for a tax credit pursuant to § 63.1-324 based on the time spent in providing health care services at such clinic. The value of such services, for purposes of determining the amount of the tax credit allowable, rendered by the physician or dentist shall not exceed the lesser of (i) the reasonable cost for similar services from other providers or (ii) \$125 per hour. (1981, c. 629; 1982, c. 178; 1984, c. 720; 1997, c. 640.)

Editor's note. — Acts 1981, c. 629, cl. 4, as amended by Acts 1986, c. 407, Acts 1990, c. 660, Acts 1995, c. 779, and Acts 1996, cc. 694 and 936, cls. 2, provide: "That this act shall expire on July 1, 2000, and be of no further force and effect; however, a business firm which received the tax credit provided by this act while it was in effect shall be entitled to carry over that credit for the next five succeeding taxable years whether or not this act shall expire on July 1, 2000."

The 1997 amendment rewrote this section, which formerly read: "Tax credits shall not be allowed under this chapter for the time spent by a self-employed person who renders profes-

sional services to a project which has been approved for tax credit status by the Commissioner of the Department of Social Services or his designee; provided, however, that an employer shall be allowed a tax credit under this chapter for the time spent by a salaried employee who renders professional services to such an approved project. The tax credit allowed to an employer for time spent by his salaried employee in rendering professional services to an approved project shall be equal to one-half the salary that such employee was actually paid for the period of time that such employee rendered professional services to the approved project."

