

**REPORT ON THE  
STATUS AND IMPLEMENTATION  
OF THE  
WORKER RETRAINING TAX CREDIT**

**Covering Tax Years 2000-2006**

**A Report to the  
Chairmen of the House Finance and Senate Finance Committees  
and the Secretary of Commerce and Trade**

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**October 19, 2007**

The Virginia Worker Retraining Tax Credit was established by §58.1-439.6 of the Code of Virginia to allow an employer to claim a tax credit for the costs of providing eligible worker retraining to qualified employees for taxable years beginning on or after January 1, 1999. The language establishing the credit requires that a report be submitted to the House Finance and Senate Finance Committees.

### **Benefits and Eligibility**

The tax credit benefits participating employers by providing a credit of 30% of all training costs when the training is provided through a community college, or up to \$100 per qualified employee for courses conducted at a private school. The total amount granted to employers for this tax credit each fiscal year may not exceed \$2.5 million.

Eligible courses include:

- Non-credit courses at any Virginia community college or private school certified as eligible worker retraining by the Virginia Department of Business Assistance, which include, but are not limited to:
  - Specific job-related skills/studies;
  - Computer training due to process or equipment change of entry-level computer skills (ongoing computer software upgrades are not included);
  - Continuous improvements such as team building or quality training;
  - Management and supervisory training; and,
  - Safety and environmental training programs.
- Credit or non-credit worker retraining courses undertaken through an apprenticeship agreement approved by the Virginia Apprenticeship Council.

A “qualified” employee is one employed in a full-time position requiring a minimum of 1,680 hours in the entire normal year of the employer’s operations if standard fringe benefits are paid by the employer for the employee. Ineligible employees include those in seasonal or temporary positions, relatives of the employer, and those directly or indirectly owning more than five percent in value of the outstanding stock of a corporation claiming the credit.

### **Process**

Prior to claiming the Worker Retraining Tax Credit on their return, businesses must complete a three-page application, an example of which is included with the appendix to this report. The application requests specific information on the courses completed by employees.

Any applications claiming non-credit courses must first be filed with the Virginia Department of Business Assistance (VDBA). The Virginia Jobs Investment Program, a unit of the VDBA, reviews the information and determines whether the course qualifies as eligible retraining. The form is then filed by the VDBA with the Virginia Department of Taxation.

Applications claiming only apprenticeship courses are filed directly with the Virginia Department of Taxation.

After review, the Virginia Department of Taxation notifies the business of the total authorized worker retraining credit.

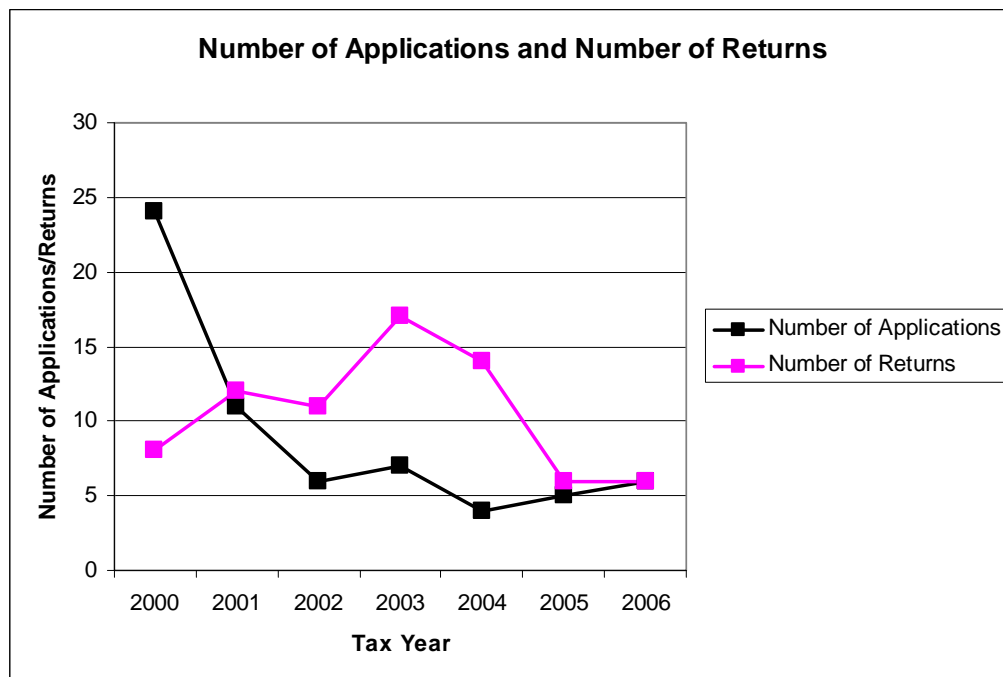
## Worker Retraining Tax Credit Usage

Tax Year	Total Number of Applications	Amount Granted	Total Number of Returns Claiming Credit	Amount of Credits Claimed on Returns (12-month period)	Amount of Credits Claimed over time on Amended Returns
2000	24	\$180,902	8	\$1,941	\$6,915
2001	11	\$162,633	12	\$9,457	\$15,042
2002	6	\$13,951	11	\$3,085	\$19,628
2003	7	\$17,215	17	\$17,010	\$29,576
2004	4	\$9,731	14	\$6,886	\$9,220
2005	5	\$12,724	6	\$5,189	\$5,781
2006	6	\$14,593	6	\$1,346	\$8,485
<b>TOTAL</b>	<b>63</b>	<b>\$411,749</b>	<b>74</b>	<b>\$44,914</b>	<b>\$94,647</b>

\*Data provided by Virginia Department of Taxation, Tax Credit Unit

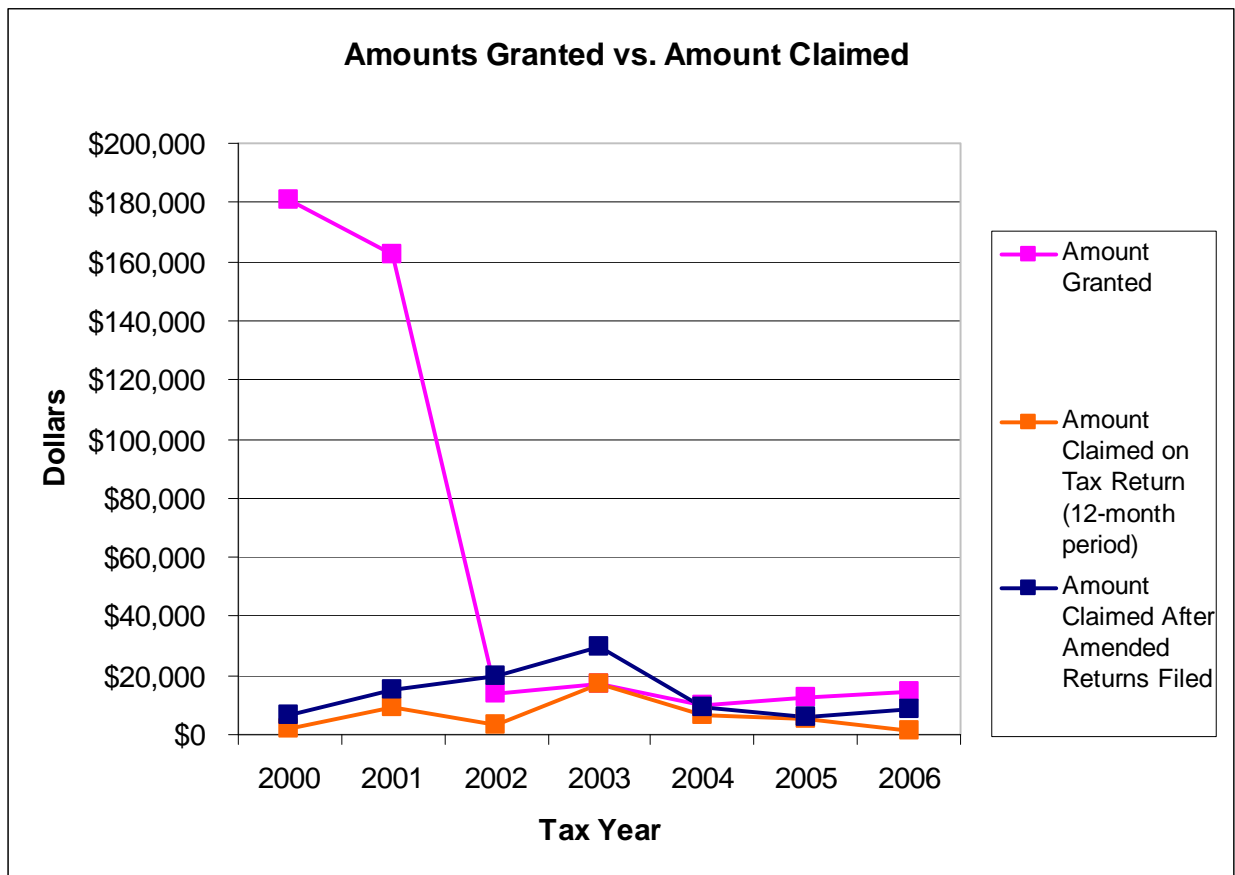
The Department of Taxation recently transitioned to a new management information system that enhances data collection and reporting on credits claimed by businesses on amended returns, or credits granted in a calendar year differing from the fiscal year period chosen by the business for tax reporting purposes. This data has been included in this report in the above table.

The number of applications for the tax credit has held consistently at 7 or less over the last five tax years. The majority of the applications have been made by non-manufacturing firms for apprenticeship courses.



Despite efforts to promote its existence, there continues to be a lack of awareness about the tax credit among employers who may be eligible to use it. Information about the tax credit is provided on the web sites of the VDBA through its Business Information Center, the Virginia Community College System (VCCS), the Virginia Department of Labor and Industry (DOLI), and numerous local and regional business assistance and economic development organizations and associations. In addition, the information is included in “A Virginia Guide to Business Incentives,” published by the Virginia Economic Development Partnership, and in the “Guide to Doing Business in Virginia,” underwritten by *Virginia Business* magazine and available in print or web formats.

There was a large disparity in the tax credit amount granted to businesses versus the amount they actually claimed on returns in tax years 2000-2001. That gap has closed significantly since 2002.



## APPENDIX

**File by April 1. This credit must be approved before being claimed on your return.**

See the separate instructions before completing this form.

<b>Business Type:</b> <input type="checkbox"/> Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Sole Proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> Limited Liability Company (LLC)	Name	Federal Employer Identification Number or Social Security Number
	Trading As	
	Street Address	Virginia Account Number
	City, State, ZIP Code	NAICS Code

**Approval of courses and apprenticeship programs is required. See instructions for details, including when and where to file.**

- If application is based on noncredit courses and apprenticeship program: Complete Parts I, II and III below. File Form WRC with the Virginia Department of Business Assistance.
- If application is based only on noncredit courses: Complete Parts I and II below. File with Department of Business Assistance.
- If application is based only on apprenticeship program: Complete Parts I and III below. File with Department of Taxation.

**Part I - Description of Business Activities - Describe the principal activity of your business:**

\_\_\_\_\_

\_\_\_\_\_

**Part II - Tax Credit Based on Noncredit Courses From a Community College or Private School**

Complete Schedule 1 (Form WRC), then enter the total number of courses for which this credit will be claimed and the total credit requested. Complete a separate Schedule 1 for each noncredit course. See instructions for more information.

Total Tax Credit Requested for Noncredit Courses From Schedule 1 (Form WRC)	Total Number of Courses	Total Tax Credit Requested (From WRC, Sch. 1, Col. E)
_____	_____	_____

**Part III - Tax Credit Based on Apprenticeship Program**

Complete Schedule 2 (Form WRC), then enter the name of each apprenticeship program approved by the Virginia Apprenticeship Council for which this credit will be claimed, the total cost and credit requested.

Program Name	Total Number of Programs	Total Credit Requested (From WRC, Sch. 2, Col. E)
_____	_____	_____
_____	_____	_____

**Declaration** - I, the undersigned officer or other person authorized to act on behalf of the business entity, have read and understand the limitations and restrictions set forth for this credit application.

Taxpayer Signature: \_\_\_\_\_ Title: \_\_\_\_\_

Printed Name: \_\_\_\_\_ Date: \_\_\_\_\_ Phone: \_\_\_\_\_

Tax Preparer Signature: \_\_\_\_\_ Title: \_\_\_\_\_

Printed Name: \_\_\_\_\_ Date: \_\_\_\_\_ Phone: \_\_\_\_\_

Preparer Address: \_\_\_\_\_

**Schedule 1  
Form WRC**

**Worker Retraining Tax Credit Application for  
Noncredit Courses to be Approved by VDBA**

Tax Year Ending \_\_\_\_\_, \_\_\_\_\_

Page \_\_\_\_ of \_\_\_\_

Complete a Schedule 1 for each course.

Name as it Appears on Form WRC	FEIN or SSN	Virginia Account Number
List each noncredit course from a Virginia community college or a school approved by the Virginia Department of Business Assistance for purposes of claiming this credit. Complete a separate Schedule 1 for each course. See the definition of "eligible worker retraining" in the instructions before completing this Schedule.		This section to be completed by the Virginia Department of Business Assistance.  Course Is:  <input type="checkbox"/> Approved  <input type="checkbox"/> Not Approved
A. Name of School	Contact	
Type (Check One) <input type="checkbox"/> Community College <input type="checkbox"/> Private School	Phone Number	
B. Course Title	Course Number	
C. Course Description, Including Dates, and Prerequisites:		Signature
		Name Printed
		Phone

**Qualifying Employees Taking Qualifying Noncredit Courses**

	Column A Employee Name and SSN	Column B Date Course Completed	Column C Course Cost	Column D Date Paid	Column E Credit Requested*
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
Total for This Page					
Enter on Page 1 Only - All Other Page Totals Combined					
Enter in Part II, Form WRC, <b>Total of All Pages</b>					

\* 30% of Col. C costs or, if private school, up to \$100/employee.

Attach this schedule to Form WRC along with a copy of all documentation used to complete this form including enrollment forms from the school showing classes taken and payment made.

**Schedule 2  
Form WRC**

**Worker Retraining Tax Credit Application Schedule - Retraining Courses  
Undertaken Through an Approved Apprenticeship Program**

**Tax Year Ending** \_\_\_\_\_, \_\_\_\_\_

Page \_\_\_\_ of \_\_\_\_

Name As It Appears On Form WRC		FEIN Or SSN		Virginia Account Number				
Column A		Column B		Column C		Column D	Column E	
Employee Name and SSN	School Name	Check Box if Private	Course Name	Completion Date	Course Cost	Date Paid	Credit Requested*	
1.		<input type="checkbox"/>						
2.		<input type="checkbox"/>						
3.		<input type="checkbox"/>						
4.		<input type="checkbox"/>						
5.		<input type="checkbox"/>						
6.		<input type="checkbox"/>						
7.		<input type="checkbox"/>						
8.		<input type="checkbox"/>						
9.		<input type="checkbox"/>						
10.		<input type="checkbox"/>						
Total of Column E for This Page								
Enter on Page 1 Only, All Other Pages' Column E Totals Combined								
Enter on Page 1 Only: Total Credit Requested For All Pages - Total For Page 1 Plus All Other Page Totals Above. Enter in Part III Form WRC								

\* 30% of Col. D costs or, if private school, up to \$100/employee.

Attach this Schedule to Form WRC. Also attach signed copy of:

1. Apprenticeship Related Instruction Enrollment Form,
2. Apprenticeship Action Form, and
3. Proof of payment by employer.



# Instructions For Form WRC Worker Retraining Tax Credit Application

## GENERAL INFORMATION

The Worker Retraining Tax Credit may be claimed by employers who provide qualifying retraining for their employees through noncredit classes approved by the Virginia Department of Business Assistance (VDBA) or through an apprenticeship agreement approved by the Virginia Apprenticeship Council. For qualified employees who attend Virginia community colleges the employer can claim 30% of all training costs. For those employees who attend private schools, the employer may claim the actual costs up to \$100 per qualified employee. Qualifying apprenticeship programs may include credit and noncredit classes.

The total retraining credits granted to all employers is limited to \$2,500,000 for each year. If the total qualifying credits exceeds this amount, the credit will be prorated. Employers must apply for their share of the available credit by filing Form WRC with the VDBA or Department of Taxation, as applicable, to determine their proportionate share of the credit. Notification of the authorized credit amount must be received before the credit may be claimed on the tax return.

The credit is allowable against individual income tax, estate and trust tax, corporation income tax, bank franchise tax and taxes imposed upon insurance companies and utility companies (under Sections 58.1-2501 et. seq. and Section 58.1-2626 et seq., *Code of Virginia*). This credit is nonrefundable, but excess credit may be carried forward for the next three taxable years. No credit can be carried back to a preceding taxable year.

## PROCESS OVERVIEW FOR CLAIMING THIS CREDIT

Claiming this credit takes the following three-step process. Definitions used to qualify training are after Step 3.

### Step 1: Determine Eligibility of Courses or Apprenticeship Programs for Credit

**Noncredit Courses:** Employers seeking this credit will have retrained employees through noncredit courses. To determine if the training will qualify for this credit, complete Parts I, II, and Schedule 1 of Form WRC and send it to **Virginia Department of Business Assistance, P. O. Box 446, Richmond, VA 23218-0446**; Telephone: **804-371-8200**. VDBA will determine if the course qualifies as eligible retraining. VDBA will forward this determination to Department of Taxation for Step 2.

**Apprenticeship Programs:** Employers seeking this credit will have retrained employees in a Virginia Apprenticeship Council approved program under the Voluntary Apprenticeship Act. For program information, call Department of Labor and Industry at 804-786-8009.

File Form WRC, completing Parts I, III and Schedule 2 (see **Exception** below), with the **Department of Taxation, Tax Credit Unit, P. O. Box 715, Richmond, VA 23218-0715**, to determine program applicability and authorized credit.

**EXCEPTION:** If applying for retraining credits for noncredit courses and an apprenticeship program, complete all of Form WRC and file it with VDBA. After processing Schedule 1, VDBA will send Form WRC to Department of Taxation.

### Step 2: Requests for Additional Information and Notification of Authorized Credit

**Additional information:** If the Departments of Business Assistance or Taxation need additional information they will contact you by **May 1** and you will have until **May 15** to respond. If you have not received acknowledgment of your application from the Department of Taxation by May 31 please call **804-786-2992**.

The Department of Taxation will notify you of your total worker retraining credit by **June 30**.

**Extension of time for filing:** If the tax return upon which this credit will be claimed is due on or before May 1, file an extension of time to file along with payment of any tax due or file an amended return upon receipt of the credit information.

### Step 3: Claim Worker Retraining Credit on Your Return

After notification of authorized credit, claim the credit on the applicable Virginia tax return. See the tax return instructions for computation and attachment details.

## DEFINITIONS

**“Eligible Worker Retraining”** means the retraining of a qualified employee that promotes economic development. Retraining of a qualified employee will promote economic development when the employment brings new income into Virginia, stimulates additional employment, improves existing processes, products or services or is the basis for further economic growth. The retraining can be accomplished through (i) noncredit courses at any Virginia community college or a private school or (ii) worker retraining programs undertaken through an apprenticeship agreement approved by the Virginia Apprenticeship Council.

**“Noncredit Courses”** include, but are not limited to:

- specific job-related skills/studies;
- computer training due to process or equipment change of entry-level computer skills (ongoing computer software upgrades are not included);
- continuous improvements such as team building and quality training;
- management and supervisory training;
- safety and environmental training programs; and
- credit or noncredit approved apprenticeship courses.

**“Qualified Employee”** means an employee who works in a full-time position requiring a minimum of 1,680 hours in the normal year of the employer’s operation and standard fringe benefits are offered to the employee. Employees eligible to take credit or noncredit courses undertaken through a registered apprenticeship agreement must be employed in a full-time position requiring a minimum of 1,924 hours in the normal year of the employer’s operation unless otherwise approved by the Virginia Apprenticeship Council. A Qualified Employee shall not be a spouse; child; grandchild; parent or sibling of an employer; or in the case of a corporation, an individual that owns, directly or indirectly, five percent or more of the corporation’s stock. Employees in seasonal or temporary positions are not qualified for this program.

**“Retraining”** means an upgrade in training for existing employees, which is identified as essential to the production or distribution of a product, rendering services or retraining provided through an apprenticeship agreement approved by the Virginia Apprenticeship Council.

**“Standard Fringe Benefits”** means the benefits that a particular employer offers to its full-time employees.

**“Training Costs”** means instruction, instructional materials, facilities fees and other costs determined to be necessary to the delivery of the training. Trainee wages and curriculum development costs are not covered.

### **INSTRUCTIONS FOR COMPLETING FORM WRC**

When completing Form WRC, remember that claiming the credit is a multi-step process. Complete Form WRC and the required schedules using the definitions listed earlier in these instructions. To assist you in completing Schedules 1 and 2 correctly, review these definitions: Eligible worker retraining, qualified employee, noncredit courses, retraining, standard fringe benefits and training costs.

#### **Part I - Description Of Business Activities**

Enter the principal activity of the business.

#### **Part II - Credit Based on Noncredit Courses From a Community College or Private School**

Credit will be granted for retraining through noncredit courses approved by the Virginia Department of Business Assistance.

Complete Schedule 1 (Form WRC). If additional space is needed, attach a separate page. Complete a separate Schedule 1 for each course for which the credits are requested. Enter the total number of courses and total credit requested for training costs for approved courses in the space provided in Part II of the Form WRC.

#### **Part III - Credit Based on Apprenticeship Programs**

Credit will be granted for apprenticeship programs (approved by the Virginia Apprenticeship Council through the Virginia Department of Labor and Industry) which meet the qualifications for this credit. See the definitions provided earlier in these instructions, before completing this section.

Complete Schedule 2 (Form WRC). If additional space is needed, attach a separate page. Enter each program name, the total cost and the total credit requested in the space provided in Part III of Form WRC.

See the definitions listed in these instructions before completing Schedule 2 to ensure that the training costs and employees listed qualify for the credit.

### **WHEN AND WHERE TO FILE FORM WRC**

File Form WRC **no later than April 1** in order for the qualification process to be completed. Forms received after that date may not be processed and credit may not be approved.

If applying for the worker retraining credit based on the noncredit course alone or on both the noncredit course and an apprenticeship program, file Form WRC with all required attachments (listed below) to:

**Worker Retraining Tax Credit Application**  
**Virginia Department of Business Assistance**  
**P. O. Box 446**  
**Richmond, Virginia 23218-0446**

If applying for the worker retraining credit based only on the apprenticeship program, file Form WRC with all required attachments (listed below) to:

**Tax Credit Unit**  
**Virginia Department of Taxation**  
**P. O. Box 715**  
**Richmond, Virginia 23218-0715**

### **WHAT TO ATTACH TO FORM WRC**

If Schedule 1 (Form WRC) was completed, attach a copy of the documentation used in completing Schedule 1, including enrollment forms from the school/college showing the courses taken and payment by the employer.

If Schedule 2 (Form WRC) was completed, attach a signed copy of the Apprenticeship Action Form, Apprenticeship Related Instruction Enrollment Form, and proof of payment by employer.

### **PASS-THROUGH ENTITIES**

The Virginia Department of Taxation will issue a credit certification letter specifying the amount of credit authorized to each partnership, S corporation or limited liability company qualifying to claim a portion of this credit.

Each pass-through entity must File **Form PTE** with the Department of Taxation within 30 days after the credit is granted. This information should be sent to: **Department of Taxation, ATTN: Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715** or you may fax it to **804-786-2800**.

All pass-through entities distributing this credit to their owner(s), shareholders, partners or members must give each a Schedule VK-1, Owner's Share of Income And Virginia Modifications And Credits.

### **WHERE TO GET HELP**

Write to **Virginia Department of Taxation, Tax Credit Unit, P. O. Box 715, Richmond, VA 23218-0715** or call **804-786-2992**. To order forms, call 804-440-2541. Visit [www.tax.virginia.gov](http://www.tax.virginia.gov) for most Virginia tax forms and additional tax information. Forms are also available from the office of your local Commissioner of the Revenue, Director of Finance or Director of Tax Administration.

Tenemos servicios disponible en Español.

*Virginia Tax Bulletin 99-4*, dated April 4, 1999, provides additional information on the worker retraining credit and how the credit applies. To obtain this bulletin, see “Where To Get Help” above.