

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

**Covering Tax Years 2000-2011**

**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 1, 2012**

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**

<b>Tax Year</b>	<b>Total Number of Applications</b>	<b>Amount Granted</b>	<b>Total Number of Returns Claiming Credit</b>	<b>Amount of Credits Claimed on Returns (12-month period)</b>	<b>Amount of Credits Claimed over time on Amended Returns</b>
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	\$6,051	\$8,485
2007	6	\$14,501	5	\$0	\$8,569
2008	5	\$26,841	5	\$0	\$6,970
2009	4	\$178,094	0	\$0	\$0
2010	4	\$179,441	0	\$0	\$0
2011	No data	No data	No data	No data	No data
<b>TOTAL</b>	<b>82</b>	<b>\$810,626.00</b>	<b>84</b>	<b>\$49,619.00</b>	<b>\$110,186.00</b>

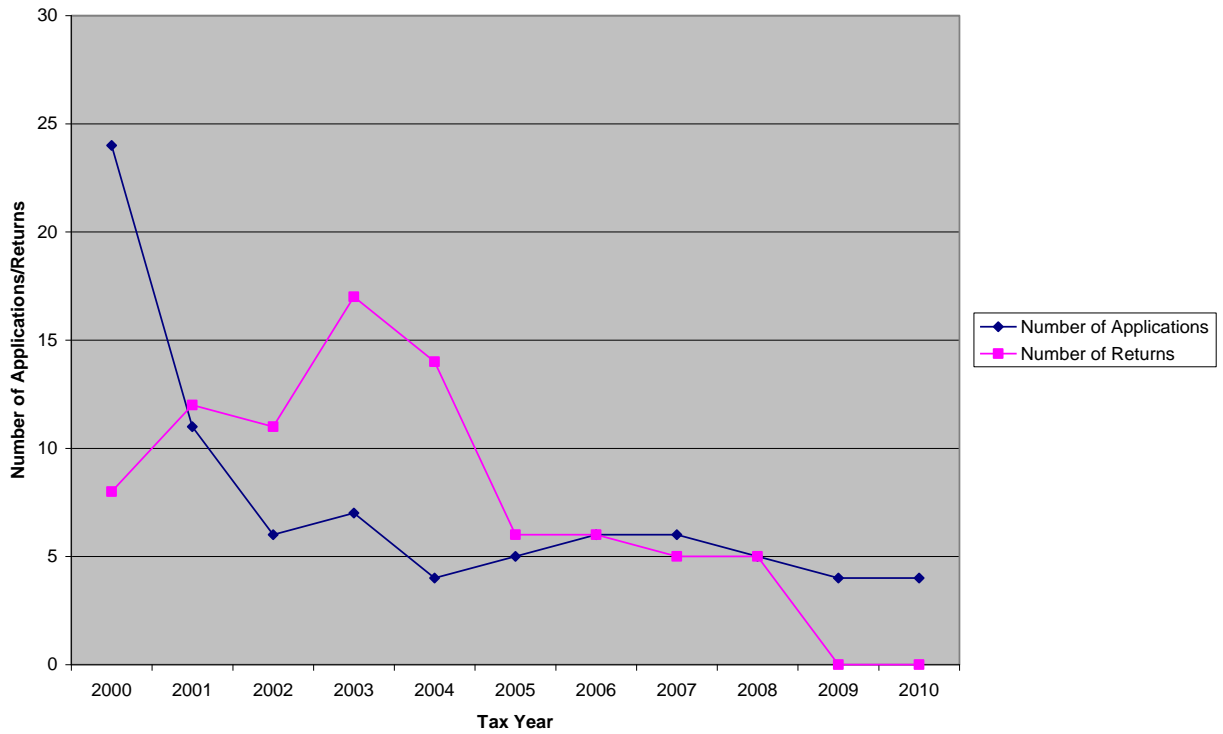
\*Data provided by Virginia Department of Taxation, Tax Credit Unit

The table above indicates the total numbers of applications received by the Department of Taxation and the amount granted vs. the total number of returns claiming credit and the amount claimed. The Department of Taxation also monitors 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 is included in the above table. According to the Virginia Department of Taxation, the data on the Worker Retraining Credit is not available for release for the 2011 tax year because fewer than four returns claiming the credit has been processed.

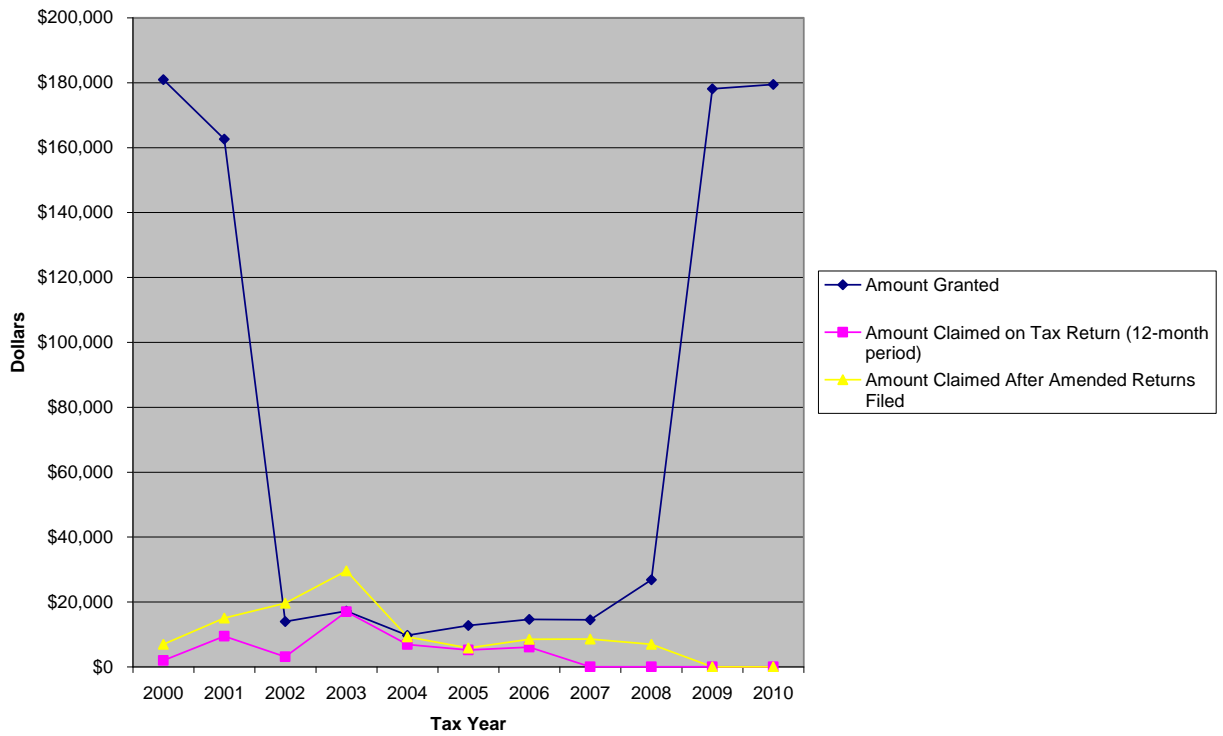
The number of applications for the tax credit has held consistently at 6 or less over the last five tax years. The amount of credits claimed on tax returns has held at less than \$10,000 per tax year over the same time period.

The charts on the following pages illustrate the differences between Applications Received vs. Numbers of Returns Claiming Credit, as well as Amounts Granted vs. Amount of Credits Claimed.

**Number of Applications and Number of Returns**



**Amounts Granted vs. Amount Claimed**



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. From 2002 - 2008, that gap closed significantly. In 2009, there were a significant amount of credits granted to a large employer, but it has yet to claim the credits on its tax return.

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), the Department of Taxation, 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.

## APPENDIX