

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. 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.

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The Department of Business Assistance and the Department of Minority Business Enterprises merged to form a new agency and the Virginia Jobs Investment Program was transferred to the Virginia Economic Development Partnership. The process needs to be updated to reflect that change and the Virginia Code also needs to be changed because this agency no longer controls the Virginia Jobs Investment Program.

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 | \$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 | | | | |
| 2012 | No data | | | | |
| 2013 | 3 | \$160,000 | 3 | \$533 | \$159,319 |
| 2014 | 5 | \$234,169 | 3 | \$7,782 | \$0 |
| 2015 | 2 | \$234,045 | 7 | \$222,371 | \$1,369 |
| TOTAL | 92 | \$1,438,840.00 | 97 | \$280,305.00 | \$270,874.00 |

*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 Amount Granted is what the Department of Taxation issued and what the taxpayer had applied for. The Amount of Credits Claimed on Returns is the amount that is claimed on the tax return during the official tax year filing and the Amount of Credits Claimed Over Time on Amended Returns is what a taxpayer claimed on tax returns outside the official filing period. This data is included in the above table.

The number of applications for the tax credit has held consistently at 5 or less over the past 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.

There was a large disparity in the tax credit amount granted to businesses versus the amount they actually claimed on returns in tax years 2000-2002. From 2003 - 2006, 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. In 2010, there were credits granted, but none claimed. In 2011-2012, the Department of Taxation did not report any data because of too few applicants. In 2013, the majority of the credits were claimed on amended returns. In 2014, the number of applicants have increased, but the amount of credits claimed have been minimal. It has yet to be determined if the credits will be claimed on an amended tax return/ In 2015, the number of applicants decreased.

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 SBSB 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.