

Virginia Regulatory Town Hall Agency Background Document Proposed Regulation

Agency Name: Department of Social Services
VAC Number: 22 VAC 40-35-10
Regulation Title: Virginia Independence Program
Action Title: Virginia Employer Tax Credit
Date: July 15, 1999

Summary.

The regulation sets forth procedures for employers to claim tax credits when they hire Temporary Assistance for Needy Families (TANF) recipients as authorized by the passage of HB 696 during the 1998 session of the Virginia General Assembly. The purpose of the tax credit is to provide incentives to employers to hire TANF recipients who, otherwise, may not be considered for an employment opportunity. The regulation maximizes employment opportunities for TANF recipients that will lead to self-sufficiency.

Basis:

This regulation was necessitated by the passage of HB 696, the Virginia Employer Tax Credit, during the 1998 session of the Virginia General Assembly. Therein, the State Board of Social Services was mandated to promulgate regulations for: (i) establishing procedures for claiming the tax credit, and (ii) providing for the allocation of tax credits among taxpayers requesting credits and employers claiming grants under the Virginia Targeted Tax Grant Program. The Virginia Employer Tax Credit is currently operating under the provisions of an emergency regulation.

Purpose:

The purpose of the regulation is to set forth procedures for employers to claim tax credits when they hire qualified TANF recipients. The purpose of the tax credit is to provide incentives to employers to hire TANF recipients who, otherwise, may not be considered for a position, thereby, maximizing employment opportunities that will lead to self-sufficiency.

Substance:

The regulation will set forth time frames for the submission of applications for the Virginia Employer Tax Credit (VETC) and the Virginia Targeted Job Grant (VTJG). Additionally, requirements for submission of applications for the respective programs as well as details on how funds will be allocated for the programs will be addressed. As set forth in the enacting legislation, the regulation must address the allocation of the funding between the VTJG and the

VETC. The funding issue was created by the enacting legislation which tied funding for both programs to the appropriation for the VTJG. The regulation must describe how the appropriation will be allocated between the two programs.

Issues:

The primary advantage of implementing this regulation is the provision of a tax credit that will provide employers with incentives to hire recipients of Temporary Assistance for Needy Families. This regulation will benefit both the employer and the recipient. The advantages to the public and the agency of this regulation will be a reduction in the TANF caseload. Because of the block grant and maintenance of effort spending requirements, there will not be a direct impact on public assistance spending; however, the Commonwealth's TANF surplus may be indirectly impacted. Further, the public will benefit by the fact the former recipients will be productive, taxpaying citizens. The disadvantage to the agency additional costs associated with administering the program.

Alternatives:

In developing the emergency regulation, the Department consulted with staff from the Department of Taxation, as well as internal staff responsible for the Neighborhood Assistance Tax Credit, both of which have experience with tax credit programs. Based on their experiences, they both concluded that the approach set forth in the emergency regulation was both workable and would minimize the impacts on applicant employers. The Department will consider any comments received during the comment period, with a special emphasis placed on comments from employers who may identify barriers to filing for a credit or a grant.

Public Comment:

There were no public comments received during the NOIRA period.

Clarity of the Regulation:

As indicated above, the Department consulted with the Department of Taxation and staff responsible for the Department's Neighborhood Assistance Tax Credit Program. Both indicated that the regulation was clearly written and easily understandable.

Periodic Review:

The regulation will be reviewed every three years in accordance with the Department's periodic review schedule.

Fiscal Impacts:

The proposed regulation will impact central office operations but the impact is expected to be absorbed within the existing MEL. The central office staff will be responsible for verifying that the individual hired by the employer was a TANF recipient on the date of the hire. Additionally, the central office will be responsible for calculating the amount of the tax credit that the employer is entitled to receive and notifying both the employer and the Department of

Taxation of the amount. There will be no impact on local social services agency operations. All administration for the credit will be conducted at the central office. The only business that will be affected by the regulation are those that hire a TANF recipient and want to claim the tax credit.