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SENATE BILL NO. 971

Offered January 8, 2025

Prefiled January 6, 2025

A BILL to amend the Code of Virginia by adding in Article 13 of Chapter 3 of Title 58.1 a section numbered 58.1-439.12:13, relating to income tax; second-chance employment tax credit.

Patron—Rouse

Referred to Committee on Finance and Appropriations

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Article 13 of Chapter 3 of Title 58.1 a section numbered 58.1-439.12:13 as follows:

§ 58.1-439.12:13. Second-chance employment tax credit.

A. For purposes of this section:

"Qualified employee" means an employee of a qualified employer who (i) earns Virginia sourced wage income from the qualified employer and (ii) prior to his employment by the qualified employer was convicted of a qualifying offense.

"Qualified employer" means an employer (i) whose business employs an individual who is a qualified employee at the time that the employer first hires the qualified employee and (ii) who has adopted and implemented a policy for hiring new qualified employees that meets or exceeds the most recent standards described in second-chance hiring guidance published by the Department of Human Resource Management.

"Qualified offense" means (i) any offense classified as a felony or a Class 1 or Class 2 misdemeanor offense in the Commonwealth or (ii) any substantially similar offense under the laws of any other state, the District of Columbia, the United States, or its territories.

B. For taxable years beginning on or after January 1, 2025, but before January 1, 2030, a qualified employer shall be allowed a nonrefundable credit against the tax levied pursuant to Articles 2 (§ 58.1-320 et seq.), 6 (§ 58.1-360 et seq.), and 10 (§ 58.1-400 et seq.). The amount of the credit allowed to the qualified employer shall be five percent of the amount of wages paid to the qualified employee during the taxable year; however, in no event shall the amount of such credit exceed \$1,250 per qualified employee. The amount of such credit shall be increased to \$2,250 per qualified employee who is on (i) supervised probation pursuant to Article 1 (§ 19.2-295 et seq.) of Chapter 18 of Title 19.2 or (ii) parole, post-release supervision, or supervised probation pursuant to Chapter 4 (§ 53.1-134 et seq.) of Title 53.1. Such credit may be claimed by the qualified employer in the first year in which he employs a qualified employee and in each subsequent year in which he continues to employ such qualified employee. A qualified employer entitled to the credit pursuant to this section shall provide written evidence, satisfactory to the Tax Commissioner, verifying the employment of such qualified employee by such qualified employer for the taxable year in which the credit is claimed.

C. 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 or business 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 or business shall be considered to have first utilized any credit allowed that does not have a carryover provision, and then any credit that is carried forward from a preceding taxable year, prior to the utilization of any credit allowed pursuant to this section.

D. 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.

E. The aggregate amount of tax credits available under this section in any fiscal year shall not exceed the amount appropriated for such year as provided in the general appropriation act. In the event sufficient funds are not available for all qualified employers eligible for the credit under this section, credits shall be allocated on a first-come, first-served basis.

F. The Tax Commissioner shall develop guidelines implementing the provisions of this section. The guidelines shall include procedures for the allocation of tax credits among participating taxpayers. Such guidelines shall be exempt from the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).

INTRODUCED

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