

**DEPARTMENT OF TAXATION
2024 Fiscal Impact Statement**

1. **Patron** Alfonso H. Lopez

2. **Bill Number** HB 961

3. **Committee** House Finance

House of Origin:

Introduced

Substitute

Engrossed

4. **Title** Individual and Corporate Income Tax; Local Journalism Sustainability Tax Credits

Second House:

In Committee

Substitute

Enrolled

5. Summary/Purpose:

This bill would establish two new tax credits. The Compensation of Local Journalist Tax Credit would be an individual and corporate income tax credit for eligible local newspaper publishers in an amount equal to:

- 10 percent of the actual amounts paid in wages, up to \$5,000, to local news journalists in the first taxable year the credit is claimed, and
- 5 percent of the actual amounts paid in wages, up to \$2,500, to local news journalists in subsequent taxable years.

The credit would be subject to an annual credit cap of \$5 million.

The Advertising in Local Newspapers and Media Tax Credit would be an individual and corporate income tax credit for eligible small businesses with fewer than 50 employees for certain expenses incurred for qualified local media advertising. The credit would be equal to:

- 80 percent of the actual amounts paid or incurred, up to \$4,000, for qualified local media advertising expenses in the first taxable year in which it is claimed, and
- 50 percent of the actual amounts paid or incurred, up to \$2,000, for qualified local media advertising expenses in subsequent taxable years.

This credit would be subject to an annual credit cap of \$10 million.

This bill would be effective for taxable years beginning on and after January 1, 2024, but before January 1, 2029.

6. Budget amendment necessary: Yes.

Item(s): Page 1, Revenue Estimates
257 and 258, Department of Taxation

7. Fiscal Impact Estimates are: Preliminary (See Line 8.)

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2025	\$269,768	1	GF
2026	\$75,898	1	GF
2027	\$75,898	1	GF

2028	\$75,898	1	GF
2029	\$75,898	1	GF
2030	\$75,898	1	GF

8. Fiscal implications:

Administrative Costs

The Department of Taxation (“the Department”) estimates that this bill would result in administrative costs of \$269,768 in Fiscal Year 2025, and \$75,898 in Fiscal Year 2026 and thereafter. These costs would be incurred for purposes of hiring one full-time employee to administer the Department’s responsibilities with respect to the credit, system updates, and additional ongoing operational expenses related to overseeing this credit program.

Revenue Impact

This bill would have a negative unknown General Fund revenue impact beginning in Fiscal Year 2025. It is unknown to what extent publishers and small businesses would incur expenditures that would be eligible for these credits. However, because both credits would be subject to annual caps, the unknown negative impact would not exceed \$5 million for the Compensation of Local Journalist Tax Credit and \$10 million cap for the Advertising in Local Newspapers and Media Tax Credit.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Proposed Legislation

This bill would establish two new tax credits. The Compensation of Local Journalist Tax Credit would be an individual and corporate income tax credit for eligible local newspaper publishers in an amount equal to:

- 10 percent of the actual amounts paid in wages, up to \$5,000, to local news journalists in the first taxable year the credit is claimed, and
- 5 percent of the actual amounts paid in wages, up to \$2,500, to local news journalists in subsequent taxable years.

The credit would be subject to an annual credit cap of \$5 million.

The Advertising in Local Newspaper and Media Tax Credit would be an individual and corporate income tax credit for eligible small businesses with fewer than 50 employees for certain expenses incurred for qualified local media advertising in a local newspaper, or in a broadcast of a local radio or television station. The credit would be equal to:

- 80 percent of the actual amounts paid or incurred, up to \$4,000, for qualified local media advertising expenses in the first taxable year in which it is claimed, and

- 50 percent of the actual amounts paid or incurred, up to \$2,000, for qualified local media advertising expenses in subsequent taxable years.

This credit would be subject to an annual credit cap of \$10 million.

For purposes of the Compensation of Local Journalist Tax Credit, the following definitions would apply:

- "Eligible local newspaper publisher" would be defined as a business operated in Virginia whose gross receipts during the taxable year are substantially derived in the trade or business of publishing local newspapers.
- "Local news journalist" would be defined as any individual who regularly gathers, collects, photographs, records, writes, or reports news or information that concerns local events or other matters of local public interest, who provides at least 100 hours of service during the taxable year to an eligible local newspaper publisher, and who earns no more than \$50,000 during the taxable year for such service.

For purposes of the Advertising in Local Newspapers and Media Tax Credit, the following definitions would apply:

- "Eligible small business" would be defined as any business whose average number of full-time employees during such taxable year was fewer than 50 and that incurred qualified local media advertising expenses during such taxable year.
- "Local radio or television station" would be defined as any broadcast radio or television station licensed by the Federal Communications Commission to serve a local community.
- "Qualified local media advertising expenses" would be defined as amounts paid or incurred by an eligible small business in the ordinary course of a trade or business for advertising in a local newspaper or in a broadcast of a local radio or television station during a taxable year.

For purposes of both credits, the following definitions would apply:

- "Local newspaper" would be defined as any print or digital publication if:
 - The primary content of such publication is original content derived from primary sources and relating to news and current events,
 - Such publication primarily serves the needs of a regional or local community,
 - The publisher of such publication employs at least one local news journalist who resides in such regional or local community,
 - The publisher of such publication employs no more than 750 employees, and
 - Such publication has been in publication for at least two years.

If the amount of either credit exceeds a taxpayer's tax liability for the taxable year, the amount that exceeds the tax liability may be carried over for the next five taxable years or until the total amount of the tax credit has been taken, whichever is sooner.

The Tax Commissioner would be required to develop guidelines, exempt from the Administrative Process Act, for claiming each of these credits.

This bill would be effective for taxable years beginning on and after January 1, 2024, but before January 1, 2029.

cc : Secretary of Finance

Date: 1/28/2024 AO
HB961F161