

H. B. 2587

(By Delegates Hicks, Eldridge, Rodighiero, Marcum, Reynolds
and Perdue)

[Introduced February 4, 2015; referred to the

Committee on Small Business, Entrepreneurship and Economic Development then Finance.]

**FISCAL
NOTE**

A BILL to amend the Code of West Virginia, 1931, as amended, by adding thereto a new article, designated §11-13DD-1, relating to creating tax credits for new small businesses created in this state and operating entirely within West Virginia.

Be it enacted by the Legislature of West Virginia:

That the Code of West Virginia, 1931, as amended, be amended by adding thereto a new article, designated §11-13DD-1, to read as follows:

ARTICLE 13DD. SMALL BUSINESS TAX CREDITS.

§11-13DD-1. Tax credits for small business economic impact.

(a) Credit allowed. -- In order to assist and encourage the creation and growth of small business owners in the State of West Virginia, as well as promoting job growth from within this state by hiring residents of the state, for those tax years beginning on or after January 1, 2015, through June 2024, there shall be allowed a credit, for any taxpayer based in and operating entirely within this state employing less than one hundred employees, against certain taxes imposed by this state as described in subsection (c) of this section for wages paid to newly hired employees who are

1 employed on a full-time basis (thirty-two hours a week or more) for a period of not less than one year
2 and who are full-time residents of West Virginia. Employees may not be terminated after one year
3 of employment, without cause, in order to be replaced by then newly hired employees in order to
4 gain additional tax credits under this section.

5 (b) Amount of credit. -- The tax credit shall be in an amount equal to \$2,500 per each new
6 hired employee during each of the calendar years of 2015 through June 2024, except the amount of
7 credit allowed for any tax year with respect to each new employee may not exceed fifty percent of
8 the actual wages paid in the tax year for the new employee, whichever is less.

9 (c) Application of annual credit allowance. -- The amount of credit as determined under
10 subsection (b) of this section is allowed as a credit against the taxpayer's state tax liability applied
11 as provided in subdivisions (1) through (3), inclusive of this subsection, and in that order.

12 (1) Business franchise tax. -- The credit must first be applied to reduce the taxes imposed
13 by article twenty-three of this chapter for the taxable year.

14 (2) Corporation net income taxes. -- After application of subdivision (1) of this subsection,
15 any unused credit is next applied to reduce the taxes imposed by article twenty-four of this chapter
16 for the taxable year.

17 (3) Personal income taxes. --

18 (A) If the person making the qualified employment is an electing small business corporation
19 (as defined in Section 1361 of the United States Internal Revenue Code of 1986, as amended), a
20 partnership, a limited liability company that is treated as a partnership for federal income tax
21 purposes, or a sole proprietorship, then any unused credit (after application of subdivisions (1) and
22 (2) of this subsection) is allowed as a credit against the taxes imposed by article twenty-one of this

1 chapter on the income from business or other activity subject to tax under article twenty-three of this
2 chapter or on income of a sole proprietor attributable to the business.

3 (B) Electing small business corporations, limited liability companies, partnerships and other
4 unincorporated organizations shall allocate the credit allowed by this article among its members in
5 the same manner as profits and losses are allocated for the taxable year.

6 (4) A credit is not allowed under this section against any employer withholding taxes
7 imposed by article twenty-one of this chapter.

8 (d) Unused credit. -- If any credit remains after application of subsection (c) of this section,
9 that amount is forfeited. A carryback to a prior taxable year is not allowed for the amount of any
10 unused portion of any annual credit allowance.

NOTE: The purpose of this bill is to create tax credits for new small businesses in order to assist and encourage the growth of small business owners in the State of West Virginia, as well as promoting job growth from within this state by hiring residents of the state, for those tax years beginning on or after January 1, 2015, through June 2024.

This article is new; therefore, it has been completely underscored.