

“Virginia Advantages”

Business Incentives Quick Reference Guide

For Potential Businesses

1.) Recycling Equipment Tax Credit

An income tax credit is available to manufacturers for the purchase of certified machinery and equipment used for processing recyclable materials in taxable years beginning before January 1, 2015. To be eligible for this tax credit, The Virginia Department of Environmental Quality must certify that the eligible equipment is integral to the recycling process before a taxpayer may claim this credit.

2.) Worker Retraining Tax Credit

Virginia employers will be eligible to receive an income tax credit equal to 30 percent of all expenditures made by the employer for eligible worker retraining. In order to be eligible for this credit the worker retraining course must be taking through a private or community college, be certified by the Department of Small Business and Supplier Diversity, or taking through apprenticeship agreements approved by the commissioner of Labor and Industry.

3.) Green Job Creation Tax Credit

A taxpayer will be allowed a credit against the Virginia personal or corporate income tax for each new green job created in the commonwealth by the taxpayer. The credit will first be allowed for the taxable year in which the job has been filled for at least one year. The amount of the credit may not exceed the total amount of Virginia income tax for the taxable year in which the green job was continuously filled.

4.) Refundable Research and Development Expenses Tax Credit

For taxable years beginning before January 1, 2019, businesses may claim a tax credit equal to 15 percent of the first \$234,000.00 in Virginia qualified research and development expenses uncured during the taxable year or they may claim a tax credit equal to 20 percent of the first \$234,000.00 in Virginia qualified research and development expenses if the research was conducted in conjunction with a Virginia college or university.

5.) Port Volume Increase Tax Credit

A taxpayer that is an agricultural entity, manufacturing-related entity, or mineral and gas entity that uses port facilities in the Commonwealth and increases its port volume at these facilities for a minimum of five percent in a single calendar year over its base year is eligible to claim a credit against its income tax liability. The Virginia Port Authority may waive the requirement that port volume be increase by five percent for any taxpayer that qualifies as a major facility.

6.) International Trade Facility Tax Credit

Prior to January, 2017, a taxpayer is allowed a credit against its income tax liability if the taxpayer is engaged in port-related activities, uses maritime port facilities located in the Commonwealth and increases the amount of cargo transported through Virginia maritime port facilities by at least five percent, and either hires new qualified full-time employees or makes capital investment to facilitate increased qualified trade activities.

7.) Barge and Rail Usage Tax Credit

A company that is international trade facility, as defined under the Barge and Rail Usage Tax Credit, that transports cargo through Virginia ports by barge or rail rather than by trucks or other motor vehicles on Commonwealth's highways, is allowed a tax credit against its income tax liability. The credit is scheduled to expire for taxable years beginning on and after January 1, 2017.

8.) Major Business Facility Job Tax Credit

Qualified companies locating or expanding in Virginia are eligible to receive a \$1,000.00 income tax credit for each new full-time job created over a threshold number of jobs beginning in the first taxable year following the taxable year which the major business facility commenced or expanded its operations. Non-qualifying jobs include seasonal or temporary jobs, positions in building and grounds maintained, security, positions ancillary to the principal activities of the facility, and or jobs created from the shifting of jobs from one part of the Commonwealth.

9.) Property Tax Incentives

Virginia does not tax property at the state level; real estate and tangible property are taxed at the local level. Counties and Cities are separate taxing entities in Virginia. However, localities have the option to fully or partially exempt the following property from taxation: Certified recycling equipment; rehabilitated commercial/industrial real estate for up to 15 years; manufacturers' generating and co-generating equipment; certified solar energy devices; environmental restoration sites.

10.) Sales and Use Tax Exemptions

The combined state and local sales and use tax imposed in Virginia is 5.3 Percent of gross receipts. The purchaser is required to pay sales and use tax on all tangible property unless specifically exempt by law. Exemptions include: items purchased for resale through distributors; certified pollution control equipment; purchases used for research and development; custom computer software; utilities delivered through pipes or lines; purchases used in cooperation with The Virginia Commercial Space Flight Authority; Semiconductor clean rooms and property used to create them.

11.) Enterprise Zone Job Creation Grants

Qualified businesses in an enterprise zone are eligible for cash grants for permanent net new jobs created over a four-job threshold. Grants are calculated based on the number of months worked during a calendar year. Qualifying jobs must offer health benefits and must pay at least 1.75 times the federal minimum wage of \$7.25 per hour. Businesses can receive this grant or a maximum of 350 jobs annually. Businesses must qualify for this grant annually.

12.) Enterprise Zone Real Property Investment Grant

Qualified zone investors making a qualified investment in industrial or commercial or mixed-use real property located within an enterprise zone are eligible for a cash grant. The grant is equal to 20 percent of the excess above the minimum required investment up to a maximum of \$100,000.00 from companies investing \$5 million or less in real property investments. Total grants must not exceed the maximums specified above within any five-year period for specific building or facility. Investments in rehabilitation/expansion projects must equal at least \$100,000.00.

13.) Foreign Trade Zones

Foreign Trade Zones (FTZs) allow businesses to defer paying U.S. Customs duties on imported goods held within the zones until the goods enter the United States for domestic consumption. No duties are paid if the goods are re-exported. Companies are also not required to pay duties on broken or scrapped products. Products can be held in a Foreign Trade Zone for an unlimited amount of time.

14.) Technology Zones

Virginia cities, counties, and towns have the ability to establish, by ordinance, one or more technology zones to help attract growth. Qualifying businesses locating or expanding operations in a zone may receive local permit and user fee waivers, local tax incentives, special zoning treatment, or exemption from ordinances. Once a local technology zone has been established, incentives may be provided for up to 10 years. Each locality designs and administers its own program.

15.) Defense Production Zones

Virginia cities, counties, and towns have the ability to establish, by ordinance, one or more defense production zones to attract growth in national defense-related businesses. Establishment of a defense production zone allows localities to create special incentives and certain regulatory flexibility for qualified businesses locating or expanding operations in a zone. Once a defense zone has been established, incentives may be provided for up to 20 years.

16.) Port of Virginia Economic & Infrastructure Development Grant

A business or entity that meets all four criteria listed below are eligible for a one-time cash grant from the Port of Virginia Economic and Infrastructure Development Fund. Requirements are as followed: Locates or expands a facility in the commonwealth; Creates at least 25 new, permanent full-time job; Involved with maritime commerce or imports/exports manufactured goods through the Port of Virginia;

17.) Recruitment & Training

The Virginia Jobs Investment Program, a division of the Virginia Economic Development Partnership, provides customized recruiting and training services to companies creating new jobs or experiencing technological change. Eligibility for assistance in any of the VJIP program offerings is limited to basic sector businesses that directly or indirectly derive more than 50 percent of their revenues from out of state sources and pay at least 1.35 times the federal minimum wage (\$9.79). Only full-time Virginia jobs that qualify for benefits are eligible for funding.

18.) Economic Development Access Program

The Virginia Department of Transportation (VDOT) administers a program that assists localities in providing adequate road access to new and expanding manufacturing and processing companies, research and development facilities, distribution centers, regional service centers, corporate headquarters, government installations, and other basic employers. Before VDOT can act on a particular proposal, a resolution from the local governing body requesting the allocation of access road funds must be submitted to the department through the office of VDOT's local representative.

19.) Rail Industrial Access Program

The Rail Industrial Access Program provides funds to construct railroad tracks to new or substantially expanded industrial commercial projects having a positive impact on economic development in Virginia. Financial assistance will be limited to \$450,000.00 fiscally. The state program will provide a maximum of \$300,000.00 in unmatched funds. An additional \$150,000.00 is available if matched on a dollar-for-dollar basis. Each application must be accompanied by a resolution from the local governing body requesting the allocation of the funds.

20.) Transportation Partnership Opportunity Fund

The Virginia Department of Transportation (VDOT) administers the Transportation Partnership Opportunity Fund (TPOF or Fund) which may be used, among other purposes, to address transportation aspects of economic development opportunities. TPOF monies are awarded at the discretion of the governor in the form of grant, revolving loans, or other financial assistance to an agency, political subdivision of the commonwealth, or to certain private entities for activities associated with eligible transportation projects.

21.) Virginia Investment Partnership Grant

The VIP Grant is a discretionary performance incentive designed to encourage continued capital investment by Virginia Companies, resulting in added capacity, modernization, increased productivity, or the creation, development, and utilization of advanced technology. Companies are required to execute a performance agreement outlining performance expectations prior to receipt of the grant. Public announcement of the project must be coordinated with the Virginia Economic Development Partnership and the Governor's Office. Must have operated in Virginia for 3 Years.

22.) Major Eligible Employer Grant

The MEE is a discretionary performance incentive designed to encourage significant capital investment and job creation by Virginia Manufacturers and other basic employers. The Program is targeted at major employers that make a capital investment of at least \$100 million and create at least 1,000 new jobs (a minimum of 400 jobs, if the average pay is at least twice the localities prevailing average wage). Companies are required to execute a performance agreement outlining performance expectations prior to receipt of the grant. Public announcement of the project must be coordinated with the Virginia Economic Development Partnership and the Governor's Office.

23.) Clean Energy Manufacturing Incentive Grant

The Clean Energy Manufacturing Incentive Grant Program (CEMIG) may be available to eligible companies engaged in the manufacture of equipment, systems or products used to produce clean energy, or for products used for energy conservation, storage, or grid efficiency purposes. Manufacturers may be eligible to receive this grant if you make a capital investment of at least \$50 million in real estate or tangible property, creates 200 new full-time jobs paying at least the prevailing wage of the locality. Wind energy suppliers must make a capital investment of \$10 million in real or tangible property, and create at least 30 new full-time jobs.

24.) Governor's Agriculture and Forestry Industries Development Fund

The AFID is a tool for communities within the commonwealth to grow their agriculture and forestry industries through strategic grants made to businesses that add value to Virginian grown agricultural and forestall products. Grants are made under the following conditions: The business beneficiary is a facility that produces value-added agricultural or forestall products; minimum of 30% of products which the business is adding value to are produced in Virginia; Grant does not exceed \$250,000 or 25% of qualified capital expenditures; Companies are required to execute a performance agreement outlining performance expectations.

25.) Tobacco Region Opportunity Fund

The TROF provides grants to assist in the creation of new jobs and investments in the tobacco region. Eligible projects must include; a minimum of private capital investment of \$1 million within 36 months (amounts spent to acquire real estate will be counted as capital investment.); A minimum of 10 jobs created within 36 months (the job minimum may be lowered if the jobs pay much higher than the local prevailing wage or the jobs are created in a locality with a very high unemployment rate).

26.) Virginia Coalfield Economic Development Authority

The VCEDA works to enhance the economic base of Virginia's e-Region. Virginia's e-Region focuses on electronic information technology, energy, education, emerging technologies, and existing industries. The authority provides low interest loans through its financing program. To be eligible for the VCEDA loans, private businesses must be basic employers that will bring new income to the area. Priority will be given to loans requiring \$10,000 or less for each new basic job created and the average minimum hourly wage should equal or exceed 1.5 times the current federal minimum wage rate at the end of one year of employment or to a entity creating at least 25 new jobs during a 12 month period.

27.) Virginia Small Business Authority

The Virginia Small Business Financing Authority provides small businesses and communities with debt financing resources for business formation and expansion. VSBFA's definition of "small" business is \$10 million or less in annual revenues over each of the last three years; a net worth of \$2 million or less; fewer than 250 employees in Virginia; or qualification as a 501(c)(3) non-profit entity. Visit <http://www.Vabankers.org/VSBFA> to see if your organization qualifies.

