

2002 SESSION

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SENATE BILL NO. 339

Offered January 9, 2002

Prefiled January 9, 2002

A BILL to amend the Code of Virginia by adding in Chapter 3 of Title 58.1 an article numbered 20.2, consisting of sections numbered 58.1-514 through 58.1-519, relating to the Virginia Tiered Incentive Program.

Patrons—Ruff and Hawkins; Delegates: Abbitt, Armstrong, Bryant, Byron, Carrico, Council, Dudley, Hogan, Hurt, Kilgore, Marshall, D.W., May, Saxman, Stump and Wright

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Chapter 3 of Title 58.1 an article numbered 20.2, consisting of sections numbered 58.1-514 through 58.1-519 as follows:

Article 20.2.

Virginia Tiered Incentive Program.

§ 58.1-514. Purpose.

The purpose of this act is to stimulate targeted economic activity based on differentiated state incentives to those businesses locating, expanding or modernizing in economically distressed localities of the Commonwealth.

§ 58.1-515.

For purposes of this article:

"Business" means a corporation, partnership, sole proprietorship, firm, enterprise, franchise, association, trust or foundation, or any other individual or entity carrying on a business or profession, whether or not for profit.

"Economically distressed locality" means those localities meeting the criteria specified in § 58.1-516.

§ 58.1-516. Economically distressed localities; three tiers.

A. A tier 1 economically distressed locality is one in which there exists: (i) median household income of sixty-five percent or less of the median Virginia household income; and either (ii) an unemployment rate of 140 percent or greater than the state average unemployment rate for the last three consecutive years; or (iii) free lunch eligibility of 175 percent or greater of the state average.

B. A tier 2 economically distressed locality is one in which there exists: (i) median household income of 65.1 to seventy-five percent of the median Virginia household income; and either (ii) an unemployment rate of 120 to 139.9 percent of the state average unemployment rate for the last three consecutive years; or (iii) free lunch eligibility of 150 to 174.9 percent of the state average.

C. A tier 3 economically distressed locality is one in which there exists: (i) median household income of 75.1 to eighty-five percent of the median Virginia household income; and either (ii) an unemployment rate of 100 to 119.9 percent of the state average unemployment rate for the last three consecutive years; or (iii) free lunch eligibility of 125 to 149.9 percent of the state average.

§ 58.1-517. Incentives for businesses in economically distressed localities.

A. For taxable years beginning on and after January 1, 2003, a taxpaying business shall be allowed a credit against the taxes imposed by Articles 2 (§ 58.1-320 et seq.) and 10 (§ 58.1-400 et seq.) of this chapter as set forth in this section.

B. In a tier 1 economically distressed locality, the following tax credits shall be available: (i) \$3,000 tax credit per new job to a maximum of twenty jobs per firm per year; (ii) up to a \$500 tax credit per employee for tuition paid by the employer to community colleges for worker training or retraining; (iii) \$2,500 tax credit per employee who obtains a GED; (iv) \$2,000 tax credit per employee who successfully completes a state-approved apprenticeship program; and (v) tax credit against employees' state income tax withholding of three percent of all capital investment above \$250,000 per year in new, expanded or modernized plant and equipment certified by the Virginia Economic Development Partnership.

C. In a tier 2 economically distressed locality, the following tax credits shall be available: (i)

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53 \$2,500 tax credit per new job to a maximum of fifteen jobs per firm per year; (ii) up to a \$400 tax
 54 credit per employee for tuition paid by the employer to community colleges for worker training or
 55 retraining; (iii) \$2,500 tax credit per employee who obtains a GED; (iv) \$2,000 tax credit per
 56 employee who successfully completes a state-approved apprenticeship program; and (v) tax credit
 57 against employees' state income tax withholding of two percent of all capital investment above
 58 \$250,000 per year in new, expanded or modernized plant and equipment certified by the Virginia
 59 Economic Development Partnership.

60 D. In a tier 3 economically distressed locality, the following tax credits shall be available: (i)
 61 \$2,000 tax credit per new job to a maximum of ten jobs per firm per year; (ii) up to a \$300 tax
 62 credit per employee for tuition paid by the employer to community colleges for worker training or
 63 retraining; (iii) \$2,500 tax credit per employee who obtains a GED; (iv) \$2,000 tax credit per
 64 employee who successfully completes a state approved apprenticeship program; and (v) tax credit
 65 against employees' state income tax withholding of one percent of all capital investment above
 66 \$250,000 per year in new, expanded or modernized plant and equipment certified by the Virginia
 67 Economic Development Partnership.

68 E. A taxpayer who claims a credit for an action taken under this section shall not claim any other
 69 similar credit provided under the Code of Virginia for the same action.

70 F. For purposes of this section, the amount of any credit attributable to a partnership, electing
 71 small business corporation (S corporation), or limited liability company shall be allocated to the
 72 individual partners, shareholders or members, respectively, in proportion to their ownership or
 73 interest in such business entities.

74 § 58.1-518. Tax Commissioner to promulgate regulations.

75 Pursuant to the Administrative Process Act (§ 2.2-4000 et seq.), the Tax Commissioner shall
 76 promulgate regulations that are necessary or desirable to carry out the provisions of this article,
 77 including (i) computation, carryover, and rollover of the credits provided under this article and (ii)
 78 rules and procedures for redeeming and transferring tax credits under § 58.1-517 and (iii) guidelines
 79 for determining which localities qualify as economically distressed localities, including a schedule for
 80 regularly updating the statistics used for making such determinations.

81 § 58.1-519. Participation in Virginia Small Business Growth Fund.

82 Economically distressed localities, pursuant to existing authority granted under the Virginia Small
 83 Business Growth Fund (§ 2.2-2310), shall be eligible for the maximum amount of fourteen percent
 84 used to match the principal amount of loans under such program.

Official Use By Clerks

Passed By The Senate

with amendment
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Date: _____

 Clerk of the Senate

Passed By

The House of Delegates

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Date: _____

 Clerk of the House of Delegates