

Tax Credits

State Programs

Day Care Facility Investment Tax Credit

Businesses may claim a tax credit equal to 25 percent of all expenditures incurred in the construction, renovation, planning, or acquisition of facilities for the purpose of providing day care for children of company employees. Any credit not usable for the taxable year may be carried over to the extent usable for the next three taxable years. The maximum credit is \$25,000. The Virginia Tax Commissioner at the Department of Taxation approves applications for this program.

For more information contact the Virginia Department of Taxation at (804) 367-8031 or visit them at www.tax.virginia.gov

Historic Rehabilitation Tax Credits

Through the Federal and State Rehabilitation Tax Credit programs, property owners receive incentive for private investment in the preservation of historic buildings. Buildings that are individually listed in the National Register of Historic Places and the Virginia Landmarks Register, or are certified as contributing to a historic district that is listed on these registers, are eligible for the tax credits. Properties that have been evaluated as "eligible" for individual listing are also eligible for State rehabilitation tax credits.

For the Federal Program

The cost of the rehabilitation must exceed the owner's adjusted basis in the building, or \$5,000, whichever is greater

The credit is 20% of the eligible rehabilitation expenses

The credit applies to properties used for a business or other income producing purposes

For the State Program

Income-producing properties: The cost of the rehabilitation must be at least 50% of the assessed value of the year preceding the rehabilitation

Owner-occupied properties (i.e. non-rental owner-occupied residential properties): The cost of the rehabilitation must be at least 25% of the assessed value of the building in the year preceding the rehabilitation

The credit is 25% of the eligible rehabilitation expenses

For more information contact the Virginia Department of Historic Resources at (804) 482-6446 or visit www.dhr.virginia.gov

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 in Virginia qualified research and development expenses incurred during the taxable year or they may claim a tax credit equal to 20 percent of the first \$234,000 in Virginia qualified research and development expenses if the qualified research was conducted in conjunction with a Virginia college or university. If the amount of the credit allowed exceeds the taxpayer's tax

liability, the amount that exceeds the tax liability shall be refunded to the taxpayer. There is a statewide cap of \$6 million per fiscal year. If applications for credits total less than \$6 million, then the remaining balance of credits will be prorated among applicants, up to doubling the amount of their credits. Conversely, if applications for credits exceed \$6 million, applicants' credits will be prorated.

For more information contact the Virginia Economic Development Partnership at (804) 545-5600 or visit www.yesvirginia.org

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, 2020. The credit is equal to 20 percent of the purchase price paid during the taxable year for the machinery and equipment. For purposes of determining the purchase price paid, a taxpayer may use the original total capitalized cost of such machinery and equipment, less capitalized interest. In any taxable year, the amount of credit allowed cannot exceed 40 percent of the company's Virginia income tax liability before the credit. The unused amount of the credit may be carried over for 10 years. 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.

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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. For taxable years beginning on or after January 1, 2013, if the eligible worker retraining consists of courses at a private school, the credit is equal to the cost per qualified employee, up to \$200 per qualified employee annually, or \$300 per qualified employee annually if the eligible worker retraining includes retraining in a STEM or STEAM discipline. The credit has a statewide spending cap of \$2.5 million in any fiscal year. Eligible worker retraining consists of courses at Virginia community colleges and private schools, certified by the Department of Small Business and Supplier Diversity, or retraining pro-grams through apprenticeship agreements approved by the Commissioner of Labor and Industry.

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Green Job Creation Tax Credit

For taxable years beginning before January 1, 2018, a taxpayer will be allowed a credit against the Virginia personal or corporate income tax for each new green job created within the Commonwealth by the taxpayer. The amount of the annual credit for each new green job will be \$500 for each annual salary that is \$50,000 or more. The credit will be first allowed for the taxable year in which the job has been filled for at least one year and for each of the four succeeding taxable years, provided that the job is continuously filled during the respective taxable year. Each qualifying taxpayer may claim the credit for up to 350 green jobs.

A "green job" means employment in industries relating to the field of renewable, alternative energies, including the manufacture and operation of products used to generate electricity and other forms of

energy from alternative sources that include hydrogen and fuel cell technology, landfill gas, geothermal heating systems, solar heating systems, hydropower systems, wind systems, and biomass and biofuel systems.

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

If the taxpayer is eligible for the Green Job Creation Tax Credit and creates green jobs in an enterprise zone, such taxpayer may also qualify for the benefits under the Enterprise Zone Job Grant Program. The taxpayer may not, however, claim this Green Jobs Tax Credit in addition to a Major Business Facility Job Tax Credit nor a federal tax credit for investments in manufacturing facilities for clean energy technologies that would foster investment and job creation in clean energy manufacturing.

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Major Business Facility Job Tax Credit

Qualified companies locating or expanding in Virginia are eligible to receive a \$1,000 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 in which the major business facility commenced or expanded its operations.

☑ Companies locating in enterprise zones or economically distressed areas are required to meet a 25-job threshold; all other locations have a 50-job threshold. The threshold number of jobs must be created within a 12-month period.

- The \$1,000 credit is available for all qualifying jobs in excess of the threshold and is taken in equal installments over three years (\$333 per year).
- Non-qualifying jobs include seasonal or temporary jobs, positions in building and grounds maintenance, security, positions ancillary to the principal activities of the facility, and/or a job created when a position is shifted from an existing location within the Commonwealth to the new major business facility.
- Credits are available for taxable years before January 1, 2020. Unused credits may be carried over for up to 10 years.
- For jobs on the payroll for less than the full calendar year, the credit will be prorated.

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