

STATE INCENTIVES

Virginia and the local governments in Greater Richmond offer a variety of incentives designed to target the needs of companies considering an investment in the Commonwealth and Greater Richmond. Below are descriptions of key state and local programs:

Discretionary Incentives

Commonwealth's Development Opportunity Fund

Provides "deal-closing" grants at the Governor's discretion to secure a company location or expansion in Virginia

- Discretionary cash grant made to a locality, typically for site development
- Requires 100% match from the locality (cash or in-kind)
- Requires threshold amounts of qualifying investment, job creation, and wage requirements that varies by locality and ranges between \$1.5 million - \$5 million in investment and 15-50 jobs

Virginia Investment Partnership Program

A 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.

- Discretionary cash grant available for existing Virginia manufacturers investing at least \$25 million, with award paid out in five equal annual installments 24-36 months after agreed upon investment and employment thresholds have been satisfied

Virginia Economic Development Incentive Grant

Provides grants to companies that invest and create new employment opportunities by locating significant headquarters, administrative, or service sector operations in Virginia.

- Discretionary cash grant, designed to assist and encourage companies to invest and create new employment opportunities by locating significant headquarters, administrative, or service sector operations in Virginia.
- Requires capital investment of \$5 million or \$6,500 per job (whichever is greater) and job creation thresholds ranging between 200-400 depending upon the locality

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 may be claimed in equal installments over two years (\$500 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 beginning before January 1, 2020. Unused credits may be carried over for up to 10 years.

Governor's Agriculture and Forestry Industries Development Fund

Provides grants to localities for businesses that add value to Virginia-grown agriculture and forestry products.

- Discretionary cash grant made to a locality, typically for site development
- Requires 100% match from the locality (cash or in-kind)
- The business beneficiary is a facility that produces "value-added agricultural or forestal products"
- A minimum of 30% of the agricultural or forestry products used must be produced within the Commonwealth

Tax Exemptions

Manufacturer's exemption from Virginia sales and use tax

Manufacturers' purchases used directly in production, including machinery, tools, spare parts, industrial fuels, and raw materials are exempt from the state's sales and use tax

- Virginia's sales and use tax exemptions apply to all qualifying machinery and equipment purchases, as well as all utilities delivered through pipes, mains, and lines
- Numerous other exemptions including goods in process, inventory, Research & Development equipment, and goods used in production

Green Job Creation Tax Credit

Offers annual individual or corporate income tax credit for each new green job meeting minimum hours requirements in taxable years beginning before January 1, 2021

- For taxable years before January 1, 2021 a tax credit of \$500 per job per year for five years is available for each new green job with an annual salary of at least \$50,000; jobs must be filled for at least one full year to be eligible; may claim up to 350 green jobs; cannot be combined with Major Business Facilities Job Tax Credit or a federal tax credit

Recruitment and Training Incentives

Virginia Jobs Investment Program

Provides services and funding to companies creating new jobs or implementing technological change to reduce human resource development costs for new companies, expanding companies, and companies retraining their employees.

- Includes budget for cash reimbursements per job, plus a variety of free recruiting and training services; minimum wage requirement of \$9.79 per hour
- The New Jobs Program targets expansions of existing companies or new facility locations that involve competition with other states or countries. Expansions of existing companies or new company locations must create a minimum of 25 net, new jobs within 12 months from the date of the first hire and make a new capital investment of at least \$1 million.
- The Small Business New Jobs Program supports companies that have 250 employees or less company-wide. The business must create a minimum of five net, new jobs within 12 months from the date of first hire and make a new capital investment of at least \$100,000.
- The Workforce Retraining Program provides services and funding to assist in upgrading the skills of existing workers. Eligible companies must demonstrate it is undergoing an integration of new technology in its production processes, changing product lines in keeping with marketplace demands, or substantially changing service delivery processes requiring an assimilation of new skills and technological capabilities. Companies that have over 250 employees company-wide must have a minimum of 10 full-time employees needing to be retrained, and a new capital investment of at least \$500,000. Companies that have less than 250 employees company-wide must have a minimum of five employees needing to be retrained and a capital investment of at least \$50,000.

Enterprise Zone Incentives

Assists with business development and expansion in targeted areas throughout the state. In addition to state incentives, each zone community offers additional local incentives to qualified businesses.

Enterprise Zone Job Creation Grant

- Paid in equal installments over a five-year period; not to exceed a total of \$1.4 million per project
- \$4,000 per job above the threshold amount of at least four net new qualifying jobs; new jobs must have health benefits and pay an average wage at least twice the federal minimum wage rate ($\$7.25 \times 2 = \14.50 an hour)
- \$2,500 per qualifying job above the threshold amount for companies paying an average wage 1.75 times the federal minimum wage rate ($\$7.25 \times 1.75 = \12.69 an hour)
- Zones designated as “high” unemployment areas can qualify for \$500 grants using a lower wage threshold of 1.5 times the federal minimum wage ($\$7.25 \times 1.5 = \10.88 an hour)

- A firm can receive Job Creation Grants for a maximum of 350 grant eligible positions per year. Firms with multiple locations in Enterprise Zones can receive Job Creation Grants for a maximum of 350 positions total.
- New jobs with wages below \$10.88 an hour are not eligible for the job grant
- Grant is subject to proration should company request exceed statewide allocation
- A company cannot claim the same jobs for both Job Creation Grant and the Major Business Facility Tax Credit

Enterprise Zone Real Property Investment Grant

- Equal to 20% of qualified real property investments made during a five year period in excess of \$500,000 for new construction of an individual building, and in excess of \$100,000 for rehabilitation or expansion of an existing building up to a maximum \$100,000 for companies investing \$5,000,000 or less in qualified real property investments
- Up to a maximum \$200,000 for companies investing over \$5,000,000 in qualified real property investments
- Grant is payable after qualified improvements have been completed and verified
- Grant is subject to proration should company request exceed statewide allocation

Port and Infrastructure Incentives

Barge and Rail Usage Tax Credit

Offers per-unit credit for “international trade facilities” that transport containers using barge or rail, rather than trucks or other motor vehicles on Virginia’s highways

- \$500,000 is available each year to provide a tax credit of \$25 per container unit to companies that move containers to or from Virginia Ports by barge or rail

Port Volume Increase Tax Credit

Offers corporate income tax credit for manufacturing, distribution, agriculture, and mineral and gas companies that increase usage cargo volume at Virginia’s port facilities.

- Up to \$250,000 per taxpayer is available for manufacturers or distributors that increase their usage of Virginia ports by at least 5% over the previous year

Port of Virginia Economic and Infrastructure Development Grant

Provides grants to companies that construct new maritime-related employment centers or expand existing centers.

- Discretionary cash grant, designed to incentivize companies to locate new maritime-related employment centers or expand existing centers to encourage growth of the Port of Virginia

- Requires the creation of at least 25 new jobs
- Requires maritime commerce or exports/imports of manufactured goods through Port of Virginia
- Grant is calculated by the following formula: 25 – 49 new jobs: \$1,000 per job; 50 – 74 new jobs: \$1,500 per job; 75 – 99 new jobs: \$2,000 per job; 100 + new jobs: \$3,000 per job
- Maximum grant is \$500,000
- May be eligible for a second grant with a minimum of 300 new jobs created and at least a 5% increase in cargo volume through the Port of Virginia

International Trade Facility Tax Credit

Offers income tax credit for capital investment or job creation related to an international trade facility.

- Tax credits of \$3,500 per new employee or 2% of capital investment are available for operations that increase units through Virginia Ports by at least 5% and hire new workers and/or make a capital investment to facilitate trade

VDOT Road Access Program (Economic Development Access Program)

Provides funds to localities for road improvements needed to create adequate access for new or substantially expanding companies

- Maximum of \$500,000 unmatched funds, plus additional \$150,000 available with match of \$150,000 (potentially \$800,000)

Rail Industrial Access Program

Provides funds to construct railroad tracks to new or substantially expanded industrial and commercial projects having a positive impact on economic development.

- Maximum of \$300,000 unmatched funds; additional \$150,000 available with 100% match, not to exceed a total allocation of \$450,000 to any locality for all qualifying projects in a given year (potentially \$600,000)

Research and Development Incentives

Research and Development Tax Credit

- Tax credits are available for 15% of the first \$300,000 for qualified research and development expenses or 20% of the first \$300,000 qualified research and development expenses if conducted with a Virginia public or private college or university.
- After January 1, 2016, a taxpayer may elect to calculate the credit for this program as 10% of the difference of the taxable year's qualified research and development expenses and 50% of the average of the previous three years of expenses. If no research and development expenses were incurred in any one of

the previous three years, then the credit is equal to 5% of the of the qualified expenses during the relevant taxable year.

- Regardless of calculation method, the credit shall not exceed \$45,000 for any year. The exception is if the research is conducted in conjunction with a Virginia college or university. In this case the credit may not exceed \$60,000.

Major Research and Development Expenses Tax Credit

For taxable years beginning on or after January 1, 2016, but before January 1, 2022, a taxpayer with Virginia R&D expenses in excess of \$5 million for the taxable year will be allowed a credit against the Virginia corporate income tax for qualified R&D expenses incurred in Virginia.

- A taxpayer with Virginia R&D expenses in excess of \$5 million for the taxable year will be allowed a credit against the Virginia corporate income tax for qualified research and development expenses incurred in Virginia
- Businesses may claim a tax credit equal to 10% of the difference of the taxable year's qualified R&D expenses and 50% of the average of the previous three years of expenses.
- If no R&D expenses were incurred in any one of the previous three years, then the credit is equal to 5% of the of the qualified expenses during the relevant taxable year.

Sources: Data compiled by the Greater Richmond Partnership using:

Virginia Economic Development Partnership web site incentives landing page, <https://www.vedp.org/incentives>. Accessed August 1, 2019.

Virginia Economic Development Partnership, Guide to Incentives 2018 – 2019. Accessed August 5, 2019.

Virginia Economic Development Partnership, Summary of Select Incentive Programs. Accessed August 5, 2019.