

## 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:

### Primary Incentives

#### Commonwealth's Development Opportunity Fund

Provides "deal-closing" grants at the Governor's discretion to secure a company location or expansion in Virginia. A grant is awarded to a local government on behalf of the company. The local government is required to enter into a performance agreement with the company before it may receive the grant award.

- 50 new jobs and \$5 million capital investment, or 25 new jobs and \$100 million capital investment.
- The average annual wage for the new jobs must be at least equal to the prevailing average annual wage in the locality, excluding fringe benefits.
- For a locality with an unemployment rate above the average statewide unemployment rate or with a poverty rate above the statewide average poverty rate, 25 new jobs and \$2.5 million capital investment.
- For most performance agreements, minimum capital investment, new job, and wage thresholds must be met within 36 months.

#### Virginia Jobs Investment Program (VJIP)

A discretionary program that provides funding to companies creating new jobs or experiencing technological change to reduce the human resource development costs for new companies, expanding companies, and companies retraining their employees.

- All VJIP programs are limited to companies that create basic employment for the Commonwealth. These businesses or functions must directly or indirectly derive 51% or more of their revenue from out-of-state sources, as determined by the Virginia Economic Development Partnership (VEDP).
- Qualifying industry sectors include Corporate HQs, Distribution Centers, Information Technology, Manufacturing, Research and Development, Shared Service Centers.
- Only full-time jobs which pay a minimum entry-level wage rate per hour of at least 120% of the Federal Minimum Wage or the Virginia Minimum Wage, whichever is higher, & includes benefits is eligible for funding.

#### Virginia Talent Accelerator Program

Accelerates facility start-ups and expansions by expediting recruiting and shortening the new-hire learning curve. Program benefits are delivered as customized services provided at no charge to eligible companies as an incentive for job creation.

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- Qualifying industry sectors include: Manufacturing Operations, Distribution Centers, Information Technology, Corporate Headquarters, Research and Development, Shared Service Centers.
- The average wage for manufacturing and distribution operations among all new positions must be 1.2 times the Virginia minimum wage.
- The company must also commit to creating at least 25 net new jobs within the first year of new Virginia operations.

**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.

- Must create net, new full-time jobs in excess of the threshold number specific to the locality. The qualifying threshold number is 50 new jobs for the establishment or expansion of a major business facility in Virginia. The qualifying threshold number is 25 new jobs for the establishment or expansion of a major business facility in a locality identified by VEDP as an economically distressed area or located within an active Enterprise Zone.
- Retail trade businesses do not qualify for the credit.

**Commercial and Industrial Sales and Use Tax Exemption**

Provides sales & use tax exemptions for eligible equipment used directly in manufacturing and research and development operations. Some common exemptions include:

- Production-related machinery and equipment.
- Equipment used for production line testing and quality control.
- Research and development equipment.
- Utilities used in manufacturing delivered through pipes, lines, or mains
- Repair parts.

**Foreign Trade Zones**

Provides deferred tariff/tax payment until product enters US for consumption.

- Any company that imports product into the United States and does any of the following processes could qualify for the Foreign Trade Zone program. Merchandise in a zone can be assembled, cleaned, displayed, destroyed, exhibited, manipulated, manufactured, mixed, processed, relabeled, repackaged, repaired, salvaged, sampled, stored, or tested.

**Port-Related Incentives**

**Barge and Rail Usage Tax Credit**

Benefits companies that use barge or rail to move cargo to or from public or private port terminals in Virginia rather than by truck or motor vehicle on Virginia's highways.

- The credit is \$25 per one of the following: (1) One TEU; or (2) 16 tons of non-containerized cargo; or (3) One unit of roll-on/roll-off cargo moved by barge or rail
- Only cargo being shipped through maritime port facilities qualifies for purposes of this credit.
- Only international shipments qualify for the Barge and Rail Usage Tax Credit. Shipments to a Virginia port from another state, or domestic exports from Virginia, do not qualify for this credit.

### **International Trade Facility Tax Credit**

Benefits companies that increase port volume by 5% through Virginia ports and either create jobs or make capital investment in an international trade facility.

- The company must be an international trade facility.
- An ITF must show at least a 5% increase in shipments through Virginia Port Authority (VPA) ports in Virginia.
- Must either create jobs or make capital investment in an international trade facility.

### **Port Volume Increase Tax Credit**

Benefits manufacturing, distribution, agriculture, and mineral and gas companies that utilize Virginia's port facilities. A company that increases its usage by 5% in a single calendar year over its base year of port cargo volume can claim a credit against its corporate income tax of up to \$250,000.

- Credit is \$50 per 20-foot equivalent unit (TEU).
- Credit applied to TEUs in excess of base year cargo.
- Cap of \$3.5 million per calendar year.
- Own the cargo at the time that port facilities are used.

### **Port of Virginia Economic and Infrastructure Development Grant**

Designed to incentivize companies to locate new maritime-related employment centers or expand existing centers to encourage growth of The Port of Virginia.

- Creates at least 25 new, permanent full-time positions at a facility within Virginia from commencement of the project through the first full year of operation or during the year when the expansion occurs.
- Is involved in maritime commerce or exports or imports manufactured goods through The Port of Virginia.
- Is engaged in one or more of the following: distribution, freight forwarding, freight handling, goods processing, manufacturing, warehousing, crossdocking, transloading, or wholesaling of goods exported and imported through The Port of Virginia; shipbuilding and ship repair; dredging; marine construction; or offshore energy exploration and extraction.

## Infrastructure-Related Incentives

### Rail Industry Access Program

Provides funds to construct railroad tracks for new/expanded industrial & commercial projects.

- Financial assistance to any one locality is limited to \$450,000 in any one fiscal year. The grant shall be awarded based on a 70/30 split (70% department with 30% grantee match).
- Funds may be used to construct, reconstruct, or improve part or all of the necessary tracks and related facilities on public or private property. Funds may not be used for right-of-way acquisition or adjustment of utilities.
- Eligible recipients are: Business, commercial, or industrial enterprises; Local governments acting on behalf of enterprises; Local departments of economic development acting on behalf of enterprises; Railroads.

### Economic Development Access Program

Provides state-funded incentives for improvements on road access to new/expanding significant businesses.

- The maximum award for an access road is \$500,000, with the potential for an additional \$150,000 if justified by the estimated project cost and if the amount is matched by other sources.
- Improve existing secondary highway system roads and city streets to accommodate the anticipated additional traffic generated by an eligible economic development site.
- Construct a new road from a publicly maintained road to the new eligible establishment's primary entrance when no road exists.
- Project must be affiliated with a basic employer, meaning 51% or more of the facility's revenue must be generated outside the Commonwealth.
- Site must not have adequate access (i.e., a publicly maintained road from the primary entrance of the economic development site to the nearest adequate publicly maintained road). Ancillary improvements, such as turn lanes or intersection modifications, may also be warranted as part of the access project, but are not considered the primary objective of the project.

### Transportation Partnership Opportunity Fund (TPOF)

Provides grants, revolving loans and other financial assistance to agencies/local governments for eligible transportation projects. Anything developed with these funds is public property, administered by Virginia Department of Transportation (VDOT).

- Funds may be used for any transportation project or any transportation facility within Virginia.
- The Governor is authorized to award grants of up to \$5 million.
- Loans from TPOF are interest-free and available up to the maximum of \$30 million, based on funding availability. Loan terms vary but will not exceed seven years.

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- The applicant must be an agency or local government of the Commonwealth.
- The project addresses the needs identified in the appropriate state, regional, or local transportation plan.
- Monies from TPOF are not to be used to supplant existing or programmed funds from other existing public sources, but to support projects and activities beyond the funding capability of existing programs.

## R&D Incentives

### Major R&D Expenses Tax Credit

Allows an individual and corporate income tax credit for incurring more than \$5 million of Virginia qualified research and development expenses during a taxable year. The amount of the credit is equal to 10% of the difference between (1) The Virginia qualified research and development expenses paid or incurred by the taxpayer during the taxable year; and (2) 50% of the average Virginia qualified research and development expenses paid or incurred by the taxpayer for the three taxable years immediately preceding the taxable years.

- The research of a taxpayer applying for the Major R&D Expenses Tax Credit must meet the federal definition of qualified research under IRC § 41(d) to qualify for the credit. One of these requirements is activities all substantially constitute elements of a process of experimentation for a new or improved function, performance, or reliability or quality.
- With expenditures that qualify as expenses under Internal Revenue Code ("IRC") § 174 (i.e., such expenditures must be incurred in connection with the taxpayer's trade or business and represent a research and development cost in the experimental or laboratory sense).

### Refundable R&D Expenses Tax Credit

Provides refundable individual & corporate tax credit for qualified research & development expenses during a taxable year.

- The Refundable Research and Development Expenses Tax Credit is available to individuals or companies that incur Virginia qualified research and development expenses.
- Companies must evaluate the two methods to calculate what provides the greatest benefit to the company. (1) \$45,000 maximum credit is permitted for each taxable year, or (2) \$60,000 maximum credit if the qualified research was conducted in conjunction with a Virginia public or private college or university.
- The research of a taxpayer applying for the Refundable R&D Expenses Tax Credit must meet the federal definition of qualified research under IRC § 41(d) to qualify for the credit.

## Location-Based Incentives

### **Virginia Enterprise Zone - Real Property Investment Grant**

Is available to investors that are undertaking rehabilitation, expansion, or new construction projects within the boundaries of an Enterprise Zone.

- The building or facility must be: (1) Commercial, including office and retail; (2) Industrial; or (3) Mixed-use, with at least 30% of usable floor space is devoted to commercial, office, or industrial use.
- For rehabilitation or expansion of an existing structure, the qualified zone investor must capitalize at least \$100,000 in qualified real property investments.
- For new construction projects, the qualified zone investor must capitalize at least \$500,000 in qualified real property investments.

### **Virginia Enterprise Zone - Job Creation Grant**

Provides grants to investors/job creators within areas designated "Enterprise Zones", on a per-job basis.

- Annual cash grant \$500 per job for jobs paying 150% of Virginia Minimum Wage; \$800 per job for jobs paying 175% of the Virginia Minimum Wage.
- Requires a four-job threshold to establish a five-year grant period.
- Only full-time jobs with health benefits are eligible.
- The firm must offer to cover at least 50% of an employee's health insurance premium.

*Source: Virginia Economic Development Partnership, Incentives website, accessed Aug. 2021.*