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HOUSE BILL NO. 1235**AMENDMENT IN THE NATURE OF A SUBSTITUTE**(Proposed by the House Committee on Finance
on February 6, 2002)

(Patron Prior to Substitute—Delegate Nutter)

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 58.1-520, relating to the Virginia Tiered Incentive Program.*

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 58.1-520, 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) eligibility of 175 percent or greater of the state average for the federally funded free or reduced price meals programs.

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) eligibility of 150 to 174.9 percent of the state average for the federally funded free or reduced price meals programs.

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) eligibility of 125 to 149.9 percent of the state average for the federally funded free or reduced price meals programs.

§ 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; and (iv) \$2,000 tax credit per employee who successfully completes a state-approved apprenticeship program.

C. In a tier 2 economically distressed locality, the following tax credits shall be available: (i) \$2,500 tax credit per new job to a maximum of fifteen jobs per firm per year; (ii) up to a \$400 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; and (iv) \$2,000 tax credit per employee who successfully completes a state-approved apprenticeship program.

D. In a tier 3 economically distressed locality, the following tax credits shall be available: (i) \$2,000 tax credit per new job to a maximum of ten jobs per firm per year; (ii) up to a \$300 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; and (iv) \$2,000 tax credit per employee who successfully completes a state-approved apprenticeship program.

E. A taxpayer who claims a credit for an action taken under this section shall not claim any other

60 *similar credit provided under the Code of Virginia for the same action.*

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

65 *§ 58.1-518. Tax Commissioner to promulgate regulations.*

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

72 *§ 58.1-519. Program Analysis by Virginia Economic Development Partnership.*

73 *The Virginia Economic Development Partnership shall issue a report to the Governor and the*
74 *General Assembly no later than January 3, 2005, and every three years thereafter, outlining the impacts*
75 *and measuring the effects of the program created by this article upon economically distressed localities.*

76 *§ 58.1-520. Participation in Virginia Small Business Growth Fund.*

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

80 **2. That the provisions of this act shall expire on July 1, 2009.**