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**SENATE BILL NO. 411**

Offered January 14, 2004

Prefiled January 14, 2004

*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.*

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Patrons—Ruff; Delegate: Landes

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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 58.1-520, 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. Definitions.*

*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, 2004, 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)*

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59 \$2,500 tax credit per employee who obtains a GED; and (iv) \$2,000 tax credit per employee who  
60 successfully completes a state-approved apprenticeship program.

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

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

67 § 58.1-518. Tax Commissioner to promulgate regulations.

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

74 § 58.1-519. Program Analysis by Virginia Economic Development Partnership.

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

78 § 58.1-520. Participation in Virginia Small Business Growth Fund.

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

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