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HOUSE BILL NO. 1744

Offered January 12, 2005

Prefiled January 3, 2005

A BILL to amend and reenact § 58.1-439.7 of the Code of Virginia, and to amend the Code of Virginia by adding sections numbered 58.1-338.1 and 58.1-338.2, relating to individual and corporate income tax credits for machinery and equipment for processing recyclable materials.

Patrons—Putney and Byron; Senator: Newman

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:**1. That § 58.1-439.7 of the Code of Virginia is amended and reenacted as follows:**

§ 58.1-338.1. Carry over period for a tax credit acquired under former law for purchase of machinery and equipment for processing recyclable materials.

Any individual having a tax credit under former § 58.1-338 based on the purchase price paid for recycling machinery and equipment that was acquired on or after January 1, 1995, and having any unused portion of the credit remaining on January 1, 2004, may carry over the unused portion of the credit and apply it against the tax imposed pursuant to § 58.1-320 for the 20 taxable years succeeding the year in which the individual was first allowed to take the credit until the total credit amount is used.

§ 58.1-338.2. Tax credit for purchase of machinery and equipment for processing recyclable materials.

A. For taxable years beginning on or after January 1, 2004, but before January 1, 2007, any individual shall be allowed a credit against the tax imposed pursuant to § 58.1-320 in an amount equal to 10 percent of the purchase price paid during the taxable year for machinery and equipment used exclusively in or on the premises of manufacturing facilities or plant units which manufacture, process, compound, or produce items of tangible personal property from recyclable materials, within the Commonwealth, for sale. For purposes of determining "purchase price paid" under this section, the taxpayer may use the original total capitalized cost of such machinery and equipment, less capitalized interest. The Department of Environmental Quality shall certify that such machinery and equipment are integral to the recycling process before the individual shall be entitled to the tax credit under this section. The individual shall also submit purchase receipts, invoices, and such other documentation as may be necessary to confirm the taxpayer's statement of purchase price paid, with the income tax return to verify the amount of purchase price paid for the recycling machinery and equipment.

B. The total credit allowed under this section in any taxable year shall not exceed 40 percent of the Virginia income tax liability of such taxpayer.

C. Any tax credit not used for the taxable year in which the purchase price on recycling machinery and equipment was paid may be carried over for credit against the individual's income taxes in the 20 succeeding taxable years until the total credit amount is used.

D. For purposes of this section, the amount of any credit by a partnership or electing small business corporation (S corporation) shall be allocated to the individual partners or shareholders in proportion to their ownership or interest in the partnership or S corporation.

§ 58.1-439.7. Tax credit for purchase of machinery and equipment for processing recyclable materials.

A. For taxable years beginning on and after January 1, 1999, but before January 1, 2007, a corporation shall be allowed a credit against the tax imposed pursuant to § 58.1-400 in an amount equal to 10 percent of the purchase price paid during the taxable year for machinery and equipment used exclusively in or on the premises of manufacturing facilities or plant units which manufacture, process, compound, or produce items of tangible personal property from recyclable materials, within the Commonwealth, for sale. For purposes of determining "purchase price paid" under this section, the taxpayer may use the original total capitalized cost of such machinery and equipment, less capitalized interest. The Department of Environmental Quality shall certify that such machinery and equipment are integral to the recycling process before the corporation shall be entitled to the tax credit under this section. The corporation shall also submit purchase receipts, invoices, and such other documentation as may be necessary to confirm the taxpayer's statement of purchase price paid, with the income tax return to verify the amount of purchase price paid for the recycling machinery and equipment.

B. The total credit allowed under this section in any taxable year shall not exceed 40 percent of the Virginia income tax liability of such taxpayer.

C. Any tax credit not used for the taxable year in which the purchase price on recycling machinery

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59 and equipment was paid may be carried over for credit against the corporation's income taxes in the 40
60 20 succeeding taxable years until the total credit amount is used.
61 D. A taxpayer claiming the tax credit provided by § 58.1-439.8 shall not be eligible for the tax credit
62 provided by this section.