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SENATE BILL NO. 1481

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the House Committee on Finance
on February 14, 2011)

(Patron Prior to Substitute—Senator Wagner)

A BILL to amend the Code of Virginia by adding in Article 13 of Chapter 3 of Title 58.1 a section numbered 58.1-439.12:06, relating to a Virginia port volume increase tax credit.

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Article 13 of Chapter 3 of Title 58.1 a section numbered 58.1-439.12:06 as follows:

§ 58.1-439.12:06. Virginia port volume increase tax credit.

A. As used in this section, unless the context indicates otherwise:

"Base year port cargo volume" means the total amount of net tons of noncontainerized cargo or TEUs of cargo actually transported by way of a waterborne ship through a port facility during the period from January 1, 2010, through December 31, 2010. Base year port cargo volume must be at least 75 net tons of noncontainerized cargo or 10 loaded TEUs for a taxpayer to be eligible for the credits provided in this section. For a taxpayer that does not ship that amount in the year ending December 31, 2010, including a taxpayer who locates in Virginia after December 31, 2010, its base cargo volume will be measured by the initial January 1 through December 31 calendar year in which it meets the requirements of 75 net tons of noncontainerized cargo or 10 loaded TEUs. Base year port cargo volume must be recalculated each calendar year after the initial base year.

"Major facility" means a new facility to be located in Virginia that is projected to import or export cargo through a port in excess of 25,000 TEUs in its first calendar year.

"Port cargo volume" means the total amount of net tons of noncontainerized cargo or containers measured in TEUs of cargo transported by way of a waterborne ship or vehicle through a port facility.

"Port facility" means any publicly or privately owned facility located within the Commonwealth through which cargo is transported by way of a waterborne ship or vehicle to or from destinations outside the Commonwealth and which handles cargo owned by third parties in addition to cargo owned by the port facility's owner.

"TEU" or "twenty-foot equivalent unit" means a volumetric measure based on the size of a container that is 20 feet long by eight feet wide by eight feet, six inches high.

B. 1. For taxable years beginning on and after January 1, 2011, a taxpayer engaged in manufacturing goods or the distribution of manufactured goods that uses port facilities in the Commonwealth and increases its port cargo volume at these facilities by a minimum of five percent in a single calendar year over its base year port cargo volume is eligible to claim a credit against the tax levied pursuant to §§ 58.1-320 and 58.1-400 in an amount determined by the Virginia Port Authority. The Virginia Port Authority may waive the requirement that port cargo volume be increased by a minimum of five percent over base year port cargo volume for any taxpayer that qualifies as a major facility.

2. The maximum amount of tax credits allowed to all qualifying taxpayers pursuant to this section may not exceed \$3.2 million for each calendar year. A qualifying taxpayer may not receive more than \$250,000 for each calendar year except as provided in subdivision C 2. The Virginia Port Authority has sole discretion in allocating credits provided by this section, taking into consideration the following factors:

- a. The amount of base year port cargo volume;
- b. The total and percentage increases in port cargo volume;
- c. The number of qualifying taxpayers;
- d. The type of cargo transported; and
- e. Other factors related to the economic benefit of the Commonwealth, as determined by the Virginia Port Authority.

3. If the credit exceeds the taxpayer's tax liability for the taxable year, the excess amount may be carried forward and claimed against income taxes in the next five succeeding taxable years.

4. The credit may be claimed by the taxpayer as provided in subdivision 1 only if the taxpayer owns the cargo at the time the port facilities are used.

C. 1. For every year in which a taxpayer claims the credit, the taxpayer shall submit an application to the Virginia Port Authority by March 1 of the calendar year after the calendar year in which the increase in port cargo volume occurs. The taxpayer shall attach a schedule to the taxpayer's application to the Virginia Port Authority with the following information and any other information requested by the Virginia Port Authority or the Department:

- 60 a. A description of how the base year port cargo volume and the increase in port cargo volume were
61 determined;
- 62 b. The amount of the base year port cargo volume;
- 63 c. The amount of the increase in port cargo volume for the taxable year stated both as a percentage
64 increase and as a total increase in net tons of noncontainerized cargo and TEUs of cargo, including
65 information that demonstrates an increase in port cargo volume in excess of the minimum amount
66 required to claim the tax credits pursuant to this section;
- 67 d. Any tax credit utilized by the taxpayer in prior years; and
- 68 e. The amount of tax credit carried over from prior years.
- 69 2. If on March 15 of each year the \$3.2 million amount of credit is not fully allocated among
70 qualifying taxpayers, then those taxpayers who have been allocated the maximum \$250,000 credit for a
71 year shall be allowed a pro rata share of the remaining allocated credit up to \$3.2 million.
- 72 3. The taxpayer shall claim the credit on its income tax return in a manner prescribed by the
73 Department. The Department may require a copy of the certification form issued by the Virginia Port
74 Authority be attached to the return or otherwise provided.
- 75 D. Credits granted to a partnership, limited liability company, or electing small business corporation
76 (S corporation) shall be allocated to the individual partners, members, or shareholders, respectively, in
77 proportion to their ownership interests in such business entities.