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SENATE BILL NO. 999

Offered January 12, 2011

Prefiled January 11, 2011

A BILL to amend and reenact § 58.1-3245.12 of the Code of Virginia and to amend the Code of Virginia by adding in Article 2 of Chapter 35 of Title 58.1 a section numbered 58.1-3508.4 and by adding in Chapter 38 of Title 58.1 an article numbered 12, consisting of a section numbered 58.1-3853, relating to local tax and other local incentives for the design, development, or production of materials, components, or equipment used for national defense.

Patrons—Stosch, McEachin, Marsh and Watkins; Delegates: Ingram, Janis, Massie, McClellan, McQuinn, Morrissey, O'Bannon and Peace

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That § 58.1-3245.12 of the Code of Virginia is amended and reenacted and that the Code of Virginia is amended by adding in Article 2 of Chapter 35 of Title 58.1 a section numbered 58.1-3508.4 and by adding in Chapter 38 of Title 58.1 an article numbered 12, consisting of a section numbered 58.1-3853, as follows:

§ 58.1-3245.12. Local enterprise zone program for technology zones.

The governing body of any county, city, or town may also adopt a local enterprise zone development taxation program for a technology zone, as described in § 58.1-3850, *or a defense production zone, as described in § 58.1-3853,* located within its boundaries, regardless of whether such technology zone *or defense production zone* has been designated by the Governor as an enterprise zone pursuant to Chapter 49 (§ 59.1-538 et seq.) of Title 59.1. Such program for a technology zone *or defense production zone* shall be adopted by local ordinance. All other provisions in this article as they relate to a local enterprise zone development taxation program for enterprise zones shall apply to such program for technology *or defense production* zones.

§ 58.1-3508.4. Separate classification of machinery and tools used in manufacturing or processing materials, components, or equipment for national defense.

Machinery and tools, including repair and replacement parts, designed and used directly in manufacturing or processing materials, components, or equipment for national defense are hereby declared to be a separate class of property and shall constitute a classification for local taxation separate from other classifications of machinery and tools as defined in § 58.1-3507. The governing body of any county, city, or town may levy a tax on such machinery and tools at a different rate from that levied on other machinery and tools. The rate of tax imposed by the county, city, or town on such machinery and tools shall not exceed that applicable to the general class of machinery and tools.

Article 12.

Local Defense Production Zone.

§ 58.1-3853. Creation of local defense production zones.

A. As used in this section, unless the context requires a different meaning:

"Defense production business" means a business engaged in the design, development, or production of materials, components, or equipment required to meet the needs of national defense. A locality may also include as a defense production business any business that performs functions ancillary to or in support of the design, development, or production of such materials, components, or equipment.

B. Any city, county, or town may establish, by ordinance, one or more defense production zones. Each locality may grant incentives and provide certain regulatory flexibility in a defense production zone.

C. The incentives may be provided to defense production businesses located in a defense production zone for up to 20 years and may include, but not be limited to (i) reduction of permit fees, (ii) reduction of user fees, and (iii) reduction of any type of gross receipts tax. In addition, local governing bodies are hereby authorized to enter into agreements for the payment of economic development incentive grants to defense production businesses located in defense production zones with payment of the grants conditioned upon the businesses making certain real property or capital investments, creating and maintaining new jobs, or performing or meeting other economic development objectives.

The extent and duration of such incentive proposals shall conform to the requirements of the Constitutions of Virginia and of the United States.

D. The governing body may also provide for regulatory flexibility in such zone that may include, but not be limited to (i) special zoning for the district, (ii) permit process reform, (iii) exemption from

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ordinances, and (iv) any other incentive adopted by ordinance, which shall be binding upon the locality for a period of up to 20 years.

E. Each locality establishing a defense production zone pursuant to this section may also adopt a local enterprise zone development taxation program for the defense production zone as provided in § 58.1-3245.12.

F. The establishment of a defense production zone shall not preclude the area from also being designated as an enterprise zone.