

12103661D

**HOUSE BILL NO. 406**

Offered January 11, 2012

Prefiled January 10, 2012

*A BILL to amend and reenact §§ 58.1-3245.12 and 58.1-3853 of the Code of Virginia, relating to local tax and other local incentives for defense contractors.*

Patrons—Torian, Anderson, James and Lewis

Referred to Committee on General Laws

**Be it enacted by the General Assembly of Virginia:**

**1. That §§ 58.1-3245.12 and 58.1-3853 of the Code of Virginia are amended and reenacted 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 *and support services* zone, as described in § 58.1-3853, located within its boundaries, regardless of whether such technology zone or defense production *and support services* 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 *and support services* 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 *and support services* zones.

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

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

*"Defense contractor" means a business, other than a defense production business, that is primarily engaged in providing services in support of national defense, including but not limited to logistics and technical support.*

*"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 *and support services* zones. Each locality may grant incentives and provide certain regulatory flexibility in a defense production *and support services* zone.

C. The incentives may be provided to *defense contractors or* defense production businesses located in a defense production *and support services* 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 authorized to enter into agreements for the payment of economic development incentive grants to *defense contractors or* defense production businesses located in defense production *and support services* 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.

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 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 *and support services* zone pursuant to this section may also adopt a local enterprise zone development taxation program for the defense production *and support services* zone as provided in § 58.1-3245.12.

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

INTRODUCED

HB406