

# DEPARTMENT OF TAXATION

## 2013 Fiscal Impact Statement

1. **Patron** Harry R. Purkey

3. **Committee** Passed House and Senate

4. **Title** Virginia Port Volume Increase Tax Credit

2. **Bill Number** HB 1824

**House of Origin:**

☐ **Introduced**

☐ **Substitute**

☐ **Engrossed**

**Second House:**

☐ **In Committee**

☐ **Substitute**

☒ **Enrolled**

### 5. **Summary/Purpose:**

This bill would allow agricultural entities, manufacturing-related entities, and mineral and gas entities to claim the Port Volume Increase Tax Credit. Under current law, the credit may be claimed only by taxpayers engaged in the manufacturing of goods or the distribution of manufactured goods. For purposes of determining the credit amount, the base year for manufacturing-related entities would continue to be the 2010 calendar year. The base year for agricultural entities and mineral and gas entities would be January 1, 2012, through December 31, 2012.

This bill would be effective for taxable years beginning on or after January 1, 2013.

6. **Budget amendment necessary:** No.

7. **No Fiscal Impact.** (See Line 8.)

### 8. **Fiscal implications:**

#### Administrative Impact

The Department considers implementation of this bill as routine, and does not require additional funding. The Virginia Port Authority does not anticipate incurring significant costs from this bill.

#### Revenue Impact

This bill would have no revenue impact. This bill would expand the credit so that it may be claimed by agricultural entities and mineral and gas entities. However, the credit cap would remain at \$3.2 million. Therefore, extending the entities eligible to claim the credit would not increase the General Fund impact, but only affect the potential distribution of tax credits to taxpayers.

**9. Specific agency or political subdivisions affected:**

Department of Taxation  
Virginia Port Authority

**10. Technical amendment necessary:** No.

**11. Other comments:**

Current Law

The Port Volume Increase Tax Credit is an individual and corporate income tax credit for taxpayers engaged in manufacturing goods or the distribution of manufactured goods that use Virginia port facilities and increase port cargo volume at such facilities by five percent in a single calendar year over base year port cargo volume. 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.

“Base year port cargo volume” is defined as the total amount of net tons of noncontainerized cargo or TEUs of cargo actually transported by way of a waterborne ship or vehicle through a port facility during the 2010 calendar year. Base year port cargo volume must generally be at least 75 net tons of noncontainerized cargo or 10 loaded TEUs for a taxpayer to be eligible for the credit. For a taxpayer that does not ship that amount during the 2010 calendar year, including a taxpayer that locates in Virginia during that period, its base year cargo volume would be measured by the initial 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 after the initial base year.

The Port Volume Increase Tax Credit is capped at \$3.2 million annually. To receive this credit, taxpayers must apply to the Virginia Port Authority. The credit is effective for taxable years beginning on and after January 1, 2011, but before January 1, 2017.

Proposed Legislation

This bill would allow agricultural entities, manufacturing-related entities, and mineral and gas entities to claim the Port Volume Increase Tax Credit. Under current law, the credit may be claimed only by taxpayers engaged in the manufacturing of goods or the distribution of manufactured goods.

Under this bill, a “manufacturing-related entity” would be defined as a person engaged in the manufacturing of goods. An “agricultural entity” would be defined as a person engaged in growing or producing wheat, grains, fruits, nuts, crops; tobacco, nursery, or floral products; forestry products excluding raw wood fiber or wood fiber processed or manufactured for use as fuel for the generation of electricity; or seafood, meat, dairy, or poultry products. A “mineral and gas entity” would be defined as a person engaged in severing minerals or gases from the earth.

For purposes of determining the credit amount, the base year for manufacturing-related entities would continue to be the 2010 calendar year. The base year for agricultural entities and mineral and gas entities would be January 1, 2012, through December 31, 2012.

This bill would be effective for taxable years beginning on or after January 1, 2013.

cc : Secretary of Finance

Date: 3/5/2013 KLC  
HB1824FER161