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HOUSE BILL NO. 381

Offered January 8, 2014

Prefiled January 3, 2014

A *BILL to amend the Code of Virginia by adding in Article 3 of Chapter 3 of Title 58.1 a section numbered 58.1-339.13, relating to an individual income tax credit for the principal paid on business loans.*

Patron—Davis

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Article 3 of Chapter 3 of Title 58.1 a section numbered 58.1-339.13 as follows:

§ 58.1-339.13. Tax credit for principal paid on business loans.

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

"Business loan" means a loan from any bank, trust company, savings institution, industrial loan association, or credit union for which the business is the legal borrower.

"Eligible business" means a business entity located in the Commonwealth (i) having at least \$100,000 but not in excess of \$5 million in gross receipts or gross revenues for the taxable year, (ii) with at least three full-time employees in the Commonwealth for at least six continuous months of the taxable year, and (iii) that has not been operating for more than five taxable years. For the purpose of the requirement in clause (ii), each part-time employee shall be counted as one-half of a full-time employee.

"Part-time employee" means an employee of the eligible business whose employment is of an indefinite duration requiring a maximum of 29 hours of such person's time per week.

B. For taxable years beginning on or after January 1, 2014, an eligible business shall be allowed a credit against the tax imposed pursuant to § 58.1-320 in an amount equal to the lesser of (i) the product of .0575 and 75 percent of the principal paid on business loans by the eligible business during the taxable year, but not to exceed an aggregate of \$3,500 for the year, or (ii) the tax imposed pursuant to § 58.1-320 for the taxable year.

C. Credits granted to a partnership, limited liability company, or electing small business corporation (S corporation) shall be allocated to the individual partners, members, or shareholders, respectively, in proportion to their ownership or interest in such business entities.

D. The Tax Commissioner shall develop guidelines implementing the provisions of this section. Such guidelines shall be exempt from the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).

INTRODUCED

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