

**DEPARTMENT OF TAXATION
2020 Fiscal Impact Statement**

1. **Patron** Michael J. Weibert

2. **Bill Number** HB 947

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Green Development Zones; Investments in
Green Technologies

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would allow localities to, by ordinance, extend tax incentives and other regulatory flexibility to businesses located in green development zones that adopt green technologies. "Green technologies" would be defined as any materials, components, equipment, or practices that are used by a business to reduce negative impacts on the environment, including enhancing the energy efficiency of a building, using harvested rainwater or recycled water, or installing solar energy systems.

Under current law, localities may only extend green development zone tax and regulatory incentives to green development businesses located in green development zones or businesses operating in an energy-efficient building located in a green development zone.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

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

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

8. Fiscal implications:

Administrative Costs

This bill could have an unknown impact on local administrative costs. There would be no impact on state administrative costs.

Revenue Impact

Localities that encompass green development zones would experience a negative revenue impact to the extent they choose to extend tax incentives to businesses located in green development zones that adopt green technologies. This bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

Localities that encompass green development zones

10. Technical amendment necessary: No.

11. Other comments:

Virginia Enterprise Zone Program

The Virginia Enterprise Zone Program was created in 1982 to form a partnership between state and local governments to stimulate job creation, private investment, and revitalization of distressed Virginia localities. The act focused on state and local tax credits to assist areas designated as enterprise zones. Cities and counties that applied for, and were granted the designation, were able to receive tax credits for businesses situated in the zones.

In 2005, the General Assembly passed legislation, House Bill 2570 and Senate Bill 863 (2005 *Acts of Assembly*, Chapters 884 and 863), to phase out the existing system for enterprise zone tax credits and replaced it with the Enterprise Zone Grant Program. The Enterprise Zone Act expired on July 1, 2005; however, all enterprise zones that were in effect as of July 1, 2005 would continue until the end of their 20 year designation period. Under the Enterprise Zone Grant Program, localities are able to apply for grants from the Department of Housing and Community Development and are allowed to offer a variety of tax incentives when applying for an enterprise zone designation.

Localities applying for enterprise zone designation are required to submit local incentives to stimulate real property improvements and the creation of new jobs. These incentives include, but are not limited to i) reduction in permit fees for businesses, ii) reduction in user fees, iii) reduction in BPOL license tax, iv) partial exemption of real property taxes for rehabilitative or refurbishing real property within the Enterprise Zone, and v) adoption of local enterprise development tax programs.

Local Enterprise Zone Development Taxation Program

A local enterprise zone development taxation program allows a specified percentage of real estate and machinery and tools tax revenue resulting from the incremental increase in the assessed value of real estate and machinery and tools located within an enterprise zone to be allocated to the Local Enterprise Zone Development Fund. This fund is used for grants aimed at attracting businesses to an enterprise zone or enhancing governmental services within an enterprise zone. Localities are currently authorized to adopt a local enterprise zone development taxation program for a locally designated technology zone, regardless of whether the technology zone has been designated as an enterprise zone.

Local Green Development Zone

Local governing bodies may create, by ordinance, one or more green development zones, inside which localities are permitted to grant tax incentives and provide certain regulatory

flexibility to green development businesses and businesses operating in energy-efficient buildings located in a green development zone. Localities may extend tax incentives such as, but not limited to, reduction of permit fees, reduction of user fees, and reduction of any type of gross receipts tax. The regulatory flexibility available to localities include, but are not limited to, special zoning for the district, permit process reform, exemption from ordinances, and any other incentive adopted by ordinance. Localities are authorized to provide such tax and regulatory incentives for a maximum period of ten years.

“Green development business” means a business engaged primarily in the design, development, or production of materials, components, or equipment used to reduce negative impact on the environment. “Energy-efficient building” means a building that i) exceeds the energy efficiency standards prescribed in the Virginia Uniform Statewide Building Code by at least 30 percent; ii) is certified to meet or exceed performance standards of the Green Globes Green Building Rating System of the Green Building Initiative; iii) is certified to meet or exceed performance standards of the Leadership in Energy and Environmental Design (LEED) Green Building Rating System of the U.S. Green Building Council; or iv) is certified to meet or exceed performance standards or guidelines under the EarthCraft House Program.

Localities may also adopt a local enterprise zone development taxation program for the green development zone, regardless of whether the green development zone has been designated by the Governor as an enterprise zone, and the laws that apply to enterprise zones would also apply to green development zones. The establishment of a green development zone does not preclude the area from also being designated as an enterprise zone.

Proposal

This bill would allow localities to, by ordinance, extend tax incentives and other regulatory flexibility to businesses located in green development zones that adopt green technologies. “Green technologies” would be defined as any materials, components, equipment, or practices that are used by a business to reduce negative impacts on the environment, including enhancing the energy efficiency of a building, using harvested rainwater or recycled water, or installing solar energy systems.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

cc : Secretary of Finance

Date: 1/19/2020 VB
HB947F161