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HOUSE BILL NO. 2302

Offered January 23, 1995

A BILL to amend and reenact §§ 59.1-274 and 59.1-279 of the Code of Virginia, relating to enterprise zones; eligibility; state business income tax credit.

Patron—Newman

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:**1. That §§ 59.1-274 and 59.1-279 of the Code of Virginia are amended and reenacted as follows:**

§ 59.1-274. Enterprise zone and rural enterprise zone designation.

A. The governing body of any county, city or town may make written application to the Department to have an area or areas declared to be an enterprise zone. The governing body of any city with a population of at least 250,000 may make written application to the Department to have more than one designated area declared to be an enterprise zone. Such application shall include a description of the location of the area or areas in question, and a general statement identifying proposed local incentives to complement the state and any federal incentives. Two or more adjacent jurisdictions may file a joint application for an enterprise zone lying in the jurisdictions submitting the application.

B. The Governor may approve upon the recommendation of the Director of the Department of Housing and Community Development the designation of up to ~~twenty-five~~ fifty areas as enterprise zones for a period of twenty years; however, when twenty-five areas have been designated as enterprise zones, any city with a population of at least 102,000 but no more than 107,000, any city with a population of at least 169,000 but no more than 174,000, any city with a population of at least 200,000 but no more than 205,000, and any city with a population of at least 260,000 but no more than 265,000 shall be eligible to apply for additional enterprise zone designations. However, each such city seeking an additional enterprise zone designation shall already have at least one such designation and shall be limited to a total of three enterprise zones. Any county with a population of at least 200,000 but no more than 210,000 shall be eligible to apply for additional enterprise zone designations. Additionally, any counties having a population of more than 26,300 and less than 27,000, more than 33,000 and less than 34,700, and more than 16,300 and less than 17,000, shall be eligible to apply for additional enterprise zone designations. Any such area shall consist of contiguous United States census tracts or block groups or any part thereof in accordance with the most current United States Census or with the most current data from the Center for Public Service or the local planning district commission. Any such area seeking designation as an enterprise zone shall also meet at least one of the following criteria: (i) have twenty-five percent or more of the population with incomes below eighty percent of the median income of the jurisdiction, (ii) have an unemployment rate 1.5 times the state average, or (iii) have a demonstrated floor area vacancy rate of industrial and/or commercial properties of twenty percent or more.

§ 59.1-279. Eligibility.

A. Any business firm may be designated a "qualified business firm" for purposes of this chapter if:

1. It (i) begins the operation of a trade or business within an enterprise zone; *and* (ii) ~~during the taxable year has at least fifty percent of the gross receipts of such business firm attributable to the active conduct of such trade or business within the enterprise zone, and~~ (iii) ~~forty percent or more of the employees employed at the business firm's establishment or establishments located within the enterprise zone meet the criteria set forth in subdivision B (i) or B (ii) of § 59.1-274 prior to employment; or meets one of the following criteria for employment at its establishment or establishments within the enterprise zone:~~

a. Businesses with less than fifty employees must demonstrate that forty percent of their zone employees either are residents of the zone or have incomes below eighty percent of the median income for the jurisdiction prior to employment;

b. Businesses with between fifty and ninety-nine employees must demonstrate that thirty percent of their zone employees either are residents of the zone or have incomes below eighty percent of the median income for the jurisdiction prior to employment; or

c. Businesses with 100 or more employees must demonstrate that twenty percent of their zone employees either are residents of the zone or have incomes below eighty percent of the median income for the jurisdiction prior to employment; or

2. It (i) is actively engaged in the conduct of a trade or business *in an enterprise zone or in an area immediately prior to such an area being designated as an enterprise zone; and* (ii) ~~meets the~~

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60 requirements of subdivision 1 (ii) of this subsection, and (iii) increases the average number of full-time
61 employees employed at the business firm's establishment or establishments located within the enterprise
62 zone by at least ten percent over the higher of the preceding two year's employment with no less than
63 forty percent of such increase being employees meeting the criteria of subdivision B (i) or B (ii) of
64 § 59.1-274 prior to employment levels, provided that, where this increase totals:

65 a. Less than fifty employees, forty percent of the increase shall be either employees who are residents
66 of the zone or are employees with incomes less than eighty percent of the median income for the
67 jurisdiction prior to employment;

68 b. Between fifty and ninety-nine employees, thirty percent of the increase shall be either employees
69 who are residents of the zone or are employees with incomes less than eighty percent of the median
70 income for the jurisdiction prior to employment; or

71 c. One hundred or more employees, twenty percent of the increase shall be either employees who are
72 residents of the zone or are employees with incomes less than eighty percent of the median income for
73 the jurisdiction prior to employment.

74 3. For the purposes of this section, the term "full-time employee" shall mean means (i) an individual
75 employed by a business firm and who works the normal number of hours a week as required by the
76 firm or (ii) two or more individuals who together share the same job position and together work the
77 normal number of hours a week as required by the business firm for that one position. For the purpose
78 of this section, "jurisdiction" means the county, city or town which made the application under
79 § 59.1-274 to have the enterprise zone. In the case of a joint application, jurisdiction means all parties
80 making such application.

81 B. After designation as an enterprise zone, each qualified business firm in such zone shall submit
82 annually to the Department a statement requesting one or more of the tax incentives provided in this
83 chapter. Such a statement shall be accompanied by an approved form supplied by the Department and
84 completed by an independent certified public accountant licensed by the Commonwealth which states
85 that the business firm meets the definition of a "qualified business firm." A copy of the statement
86 submitted by each business firm to the Department shall be forwarded to the governing body of the
87 county, city or town in which the enterprise zone is located.

88 C. The form referred to in subsection B of this section, prepared by an independent certified public
89 accountant licensed by the Commonwealth, shall be prima facie evidence of the eligibility of a business
90 firm for the purposes of this section.

91 2. That the provisions of this act shall become effective for taxable years beginning on and after
92 July 1, 1995.

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