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HOUSE BILL NO. 325

Offered January 20, 1994

A BILL to amend and reenact §§ 58.1-338 and 58.1-445.1 of the Code of Virginia, relating to tax credits for research and development of recycling technologies.

Patrons—Davies, Mayer, Plum, Van Yahres and Watkins; Senators: Gartlan and Marye

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-338 and 58.1-445.1 of the Code of Virginia are amended and reenacted as follows:

§ 58.1-338. (Applicable for all taxable years beginning on and after January 1, 1993, but before January 1, 1996) Tax credit for purchase of machinery and equipment for processing recyclable materials and for related basic research.

A. Any individual shall be allowed a credit against the tax imposed pursuant to § 58.1-320 in an amount equal to ten percent of the purchase price paid during the taxable year for machinery and equipment used exclusively in or on the premises of manufacturing facilities or plant units which manufacture, process, compound, or produce items of tangible personal property from recyclable materials, within the Commonwealth, for sale. For purposes of determining "purchase price paid" under this section, the taxpayer may use the original total capitalized cost of such machinery and equipment, less capitalized interest. The Department of ~~Waste Management~~ *Environmental Quality* shall certify that such machinery and equipment are integral to the recycling process before the taxpayer shall be entitled to the tax credit under this section. The taxpayer shall also submit purchase receipts, invoices, and such other documentation as may be necessary to confirm the taxpayer's statement of purchase price paid, with the income tax return to verify the amount of purchase price paid for the recycling machinery and equipment.

The total credit allowed under this section in any taxable year shall not exceed forty percent of the Virginia income tax liability of such taxpayer.

B. A ten percent credit shall also be allowed for "basic research expenses" expended in Virginia and eligible for deduction for federal purposes, whether or not actually deducted, related to the (i) development of technology, including computer software, intended for application in producing machinery and equipment to manufacture, process, compound, or produce recycled items of tangible personal property for sale or (ii) development of technology, including computer software, intended to enhance the applications of recovered materials in products containing recycled content. The credit shall be claimed in the year in which the basic research expenses are incurred.

~~B.~~ C. Any tax credit not used for the taxable year in which the purchase price on recycling machinery and equipment was paid *or the basic research expenses incurred* may be carried over for credit against the individual's income taxes in the five succeeding taxable years until the total credit amount is used.

C. D. For purposes of this section, the amount of any credit attributable to the purchase of recycling machinery and equipment *or incurred as a basic research expense* by a partnership or electing small business corporation (S corporation) shall be allocated to the individual partners or shareholders in proportion to their ownership or interest in the partnership or S corporation.

§ 58.1-445.1. (Applicable for taxable years beginning on and after January 1, 1993, but before January 1, 1996) Tax credit for purchase of machinery and equipment for processing recyclable materials and for related basic research.

A. A corporation shall be allowed a credit against the tax imposed pursuant to § 58.1-400 in an amount equal to ten percent of the purchase price paid during the taxable year for machinery and equipment used exclusively in or on the premises of manufacturing facilities or plant units which manufacture, process, compound, or produce items of tangible personal property from recyclable materials, within the Commonwealth, for sale. For purposes of determining "purchase price paid" under this section, the taxpayer may use the original total capitalized cost of such machinery and equipment, less capitalized interest. The Department of ~~Waste Management~~ *Environmental Quality* shall certify that such machinery and equipment are integral to the recycling process before the corporation shall be entitled to the tax credit under this section. The corporation shall also submit purchase receipts, invoices, and such other documentation as may be necessary to confirm the taxpayer's statement of purchase price paid, with the income tax return to verify the amount of purchase price paid for the recycling machinery and equipment.

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63 *development of technology, including computer software, intended for application in producing*
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65 *personal property for sale or (ii) development of technology, including computer software, intended to*
66 *enhance the applications of recovered materials in products containing recycled content. The credit shall*
67 *be claimed in the year in which the basic research expenses are incurred.*

68 ~~B.~~ C. Any tax credit not used for the taxable year in which the purchase price on recycling
69 machinery and equipment was paid *or the basic research expenses incurred* may be carried over for
70 credit against the corporation's income taxes in the five succeeding taxable years until the total credit
71 amount is used.