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HOUSE BILL NO. 396

Offered January 11, 2006

Prefiled January 6, 2006

A BILL to amend and reenact § 59.1-543 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 59.1-546.1, relating to enterprise zones.

Patron—McEachin

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That § 59.1-543 of the Code of Virginia is amended and reenacted and that the Code of Virginia is amended by adding a section numbered 59.1-546.1 as follows:

§ 59.1-543. Local incentives.

A. Local governments submitting applications for enterprise zone designation shall propose local incentives that address the economic conditions within their locality and that will help stimulate real property improvements and new job creation. Such local incentives include, but are not limited to: (i) reduction of permit fees; (ii) reduction of user fees; (iii) reduction of business, professional and occupational license tax; (iv) *increases in the local license tax thresholds under § 58.1-3706 from \$50,000 to \$250,000 for localities with a population of at least 25,000 but no more than 50,000, and from \$100,000 to \$500,000 for localities with a population greater than 50,000;* ~~(iv)~~ partial exemption from taxation of substantially rehabilitated real estate pursuant to § 58.1-3221; and ~~(v)~~ adoption of a local enterprise zone development taxation program pursuant to Article 4.2 (§ 58.1-3245.6 et seq.) of Chapter 32 of Title 58.1. The extent and duration of such incentives shall conform to the requirements of the Constitution of Virginia and the Constitution of the United States. In making application for designation as an enterprise zone, the application may also contain proposals for regulatory flexibility, including but not limited to: (a) special zoning districts, (b) permit process reform, (c) exemptions from local ordinances, and (d) other public incentives proposed in the locality's application which shall be binding upon the locality upon designation of the enterprise zone.

B. A locality may establish eligibility criteria for local incentives that differ from the criteria required to qualify for the incentives provided in this chapter.

§ 59.1-546.1 *Sales and use tax rate in enterprise zones.*

The state and local sales and use tax imposed under Chapter 6 (§ 58.1-600 et seq.) of Title 58.1, or pursuant to the authority granted under §§ 58.1-605 and 58.1-606, shall be imposed at a combined rate of 2.5% in an enterprise zone. However, the combined state and local sales and use tax imposed in an enterprise zone on food purchased for human consumption, as defined in § 58.1-611.1, shall be imposed at a combined rate of 1.5%.

The revenues from the combined state and local sales and use tax, including the revenues from such tax on food purchased for human consumption, shall be distributed as follows: (i) an amount equivalent to the revenues generated by a 1% tax shall be distributed to counties and cities in the same manner as provided for the local sales and use taxes under §§ 58.1-605 and 58.1-606, respectively; (ii) an amount equivalent to the revenues generated by a 0.5% tax shall be deposited into the Transportation Trust Fund and allocated in the same manner as provided under § 58.1-638; and (iii) an amount equivalent to the revenues generated by a 1% tax shall be deposited into the general fund of the state treasury.

INTRODUCED

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