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HOUSE BILL NO. 2

Offered January 13, 2010

Prefiled November 16, 2009

A *BILL to amend the Code of Virginia by adding in Article 13 of Chapter 3 of Title 58.1 a section numbered 58.1-439.12:03, relating to the small business investment tax credit.*

Patrons—Loupassi, Anderson, Athey, Carrico, Crockett-Stark, Garrett, Gilbert, Lingamfelter, Miller, J.H. and Peace

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 13 of Chapter 3 of Title 58.1 a section numbered 58.1-439.12:03 as follows:

§ 58.1-439.12:03. *Small business investment tax credit.*

A. *For purposes of this section:*

"Eligible investments" means investments made in the Commonwealth by small businesses beginning July 1, 2010, but before July 1, 2011, for the purpose of (i) acquiring personal property for use only by the business, and (ii) constructing, improving, or upgrading real estate used by the business.

"Small business" means any business having 500 or fewer employees.

B. For taxable years beginning on or after January 1, 2010, any taxpayer qualifying as a small business under this section that invests at least \$10,000 in eligible investments shall be entitled to a credit against the taxes imposed by § 58.1-320 or 58.1-400 in an amount equal to 10 percent of the eligible investments. Eligible investments shall not include (i) the acquisition of or expenses paid for motor vehicles used in the business, or (ii) the purchase or rental of real estate.

C. Any tax credit not used for the taxable year may be carried over for credit against the taxpayer's income tax in the five succeeding taxable years until the total credit amount is used.

D. The amount of any credit attributable to eligible investments by a partnership, electing small business corporation (S corporation), or limited liability company shall be allocated to the individual partners, shareholders, or members, as the case may be, in proportion to their ownership interests.

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