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## HOUSE BILL NO. 1767

Offered January 8, 1997

A *BILL to amend and reenact §§ 58.1-338 and 58.1-445.1 of the Code of Virginia, relating to tax credits for purchase of machinery and equipment for processing recyclable materials.*

Patron—Cantor

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, 2001) Tax credit for purchase of machinery and equipment for processing recyclable materials.

A. As used in this section, "recycling" means any process through which a material which would otherwise be considered a solid waste, as defined in § 10.1-1400, is reclaimed, used, or reused as an ingredient in an industrial process to make a product or as an effective substitute for a commercial product. A material is "reclaimed" if it is processed to recover a usable product or has been regenerated. A material is "used or reused" if it is either employed as an ingredient in an industrial process to make a product or employed in a particular function or application as an effective substitute for a commercial product.

~~A. B.~~ 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~~ value 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 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 *in the taxable year of purchase prior to claiming the credit authorized by this section.*

~~B. C.~~ Any tax credit not used for the taxable year in which the purchase price on recycling machinery and equipment was paid may be carried over for credit against the individual's income taxes in the ten 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 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. Tax credit for purchase of machinery and equipment for processing recyclable materials.

A. As used in this section, "recycling" means any process through which a material which would otherwise be considered solid waste, as defined in § 10.1-1400, is reclaimed, used, or reused as an ingredient in an industrial process to make a product or as an effective substitute for a commercial product. A material is "reclaimed" if it is processed to recover a usable product or has been regenerated. A material is "used or reused" if it is either employed as an ingredient in an industrial process to make a product or employed in a particular function or application as an effective substitute for a commercial product.

~~A. B.~~ 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 *for recycling. This credit applies to 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~~ value 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

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60 of Environmental Quality shall certify that such machinery and equipment are integral to the recycling  
61 process before the corporation shall be entitled to the tax credit under this section. The corporation shall  
62 also submit purchase receipts, invoices, and such other documentation as may be necessary to confirm  
63 the taxpayer's statement of purchase price paid, with the income tax return to verify the amount of  
64 purchase price paid for the recycling machinery and equipment.

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

67 ~~B.~~ C. Any tax credit not used for the taxable year in which the purchase price on recycling  
68 machinery and equipment was paid may be carried over for credit against the corporation's income taxes  
69 in the ten succeeding taxable years until the total credit amount is used.

70 **2. That the provisions of this act shall be effective for taxable years beginning on or after January**  
71 **1, 1997.**