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HOUSE BILL NO. 1524

Offered January 19, 2024

A *BILL to amend the Code of Virginia by adding a section numbered 58.1-439.7:1, relating to tax credit for purchase of mobile machinery and equipment used by road contractors for processing recyclable asphalt materials on pavements and roadways.*

Patron—Lopez

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding a section numbered 58.1-439.7:1 as follows:

§ 58.1-439.7:1. Tax credit for purchase of mobile machinery and equipment used by road contractors for processing recyclable asphalt materials on pavements and roadways.

A. 1. For taxable years beginning on and after January 1, 2025, but before January 1, 2030, a taxpayer shall be allowed a credit against the tax imposed pursuant to Articles 2 (§ 58.1-320 et seq.) and 10 (§ 58.1-400 et seq.) in an amount equal to 20 percent of the purchase price paid during the taxable year for machinery and equipment used to reclaim, recycle, or reprocess existing asphalt materials from pavements and roadways in the Commonwealth. 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.

2. The Department of Environmental Quality shall certify that such machinery and equipment are integral to the recycling process before the taxpayer shall be allowed the tax credit under this section. The taxpayer shall also submit purchase receipts and invoices 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.

B. The total credit allowed under this section in any taxable year shall not exceed 40 percent of the Virginia income tax liability of such taxpayer.

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 taxpayer's income taxes in the 10 succeeding taxable years until the total credit amount is used.

D. The Department shall administer the tax credits under this section. Beginning with credits allowable for taxable year 2025, in no case shall the Department issue more than \$3 million in tax credits pursuant to this section in any fiscal year of the Commonwealth. A taxpayer shall not be allowed to claim any tax credit unless it has applied to the Department of Environmental Quality for certification as described in subdivision A 2 and the Department of Environmental Quality has issued a written certification stating that the machinery and equipment purchased are integral to the recycling process. If the amount of tax credits approved under this section by the Department for any taxable year exceeds \$3 million, the Department shall apportion the credits by dividing \$3 million by the total amount of tax credits so approved to determine the percentage of otherwise allowed tax credits each taxpayer shall receive.

E. In the event a corporation converts to a partnership, limited liability company, or electing small business corporation (S corporation), such business entity shall be entitled to any unused credits of the corporation. Credits earned by a partnership, limited liability company, or electing small business corporation (S corporation), or a predecessor corporation entitled to such credits, shall be allocated to the individual partners, members, or shareholders, respectively, in proportion to their ownership or interest in such business entities.

INTRODUCED

HB1524