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HOUSE BILL NO. 1969

Offered January 13, 2025

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A BILL to amend and reenact §§ 58.1-321, 58.1-322.03, 58.1-332, 58.1-339.8, 58.1-339.13, 58.1-390.3, 58.1-408, 58.1-439, 58.1-439.6:1, 58.1-439.7, 58.1-439.12:04, 58.1-439.12:05, 58.1-439.12:08, 58.1-439.12:11, 58.1-439.30, 58.1-609.1, 58.1-609.6, and 58.1-609.10 of the Code of Virginia, relating to taxation; extension of expiring sunsets; one-year extension for exemptions set to expire for taxable year 2025; exemptions for discharged loans for eligible veterans; credit for amounts paid to another state for income tax paid by a pass-through entity; deduction for eligible educator expenses; subtractions from property and payroll apportionment factors for eligible companies; elections to be taxed at entity level for eligible owners of a pass-through entities; tax credits for reforestation and afforestation, low-income taxpayers, major business facility jobs, worker training, purchase of machinery and equipment used for advanced recycling and processing recyclable materials, green and alternative energy job creation, research and development expenses, major research and development expenses, Virginia housing opportunity, and participating landlords renting qualified housing units in eligible non-metropolitan census tracts; exemption from sales and use taxation for certain printed materials purchased from an advertising business, parts, engines, and supplies for aviation component parts, prescription medicines and drugs purchased by veterinarians, and gold, silver, or platinum bullion or legal tender coins.

Patron—Watts

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-321, 58.1-322.03, 58.1-332, 58.1-339.8, 58.1-339.13, 58.1-390.3, 58.1-408, 58.1-439, 58.1-439.6:1, 58.1-439.7, 58.1-439.12:04, 58.1-439.12:05, 58.1-439.12:08, 58.1-439.12:11, 58.1-439.30, 58.1-609.1, 58.1-609.6, and 58.1-609.10 of the Code of Virginia are amended and reenacted as follows:

§ 58.1-321. Exemptions and exclusions.

A. No tax levied pursuant to § 58.1-320 is imposed, nor any return required to be filed, by:

1. A single individual where the Virginia adjusted gross income plus the modification specified in subdivision 5 of § 58.1-322.03 for such taxable year is less than \$11,650 for taxable years beginning on and after January 1, 2010, but before January 1, 2012.

A single individual where the Virginia adjusted gross income plus the modification specified in subdivision 5 of § 58.1-322.03 for such taxable year is less than \$11,950 for taxable years beginning on and after January 1, 2012.

2. An individual and spouse if their combined Virginia adjusted gross income plus the modification specified in subdivision 5 of § 58.1-322.03 is less than \$23,300 for taxable years beginning on and after January 1, 2010 (or one-half of such amount in the case of a married individual filing a separate return) but before January 1, 2012, and less than \$23,900 for taxable years beginning on and after January 1, 2012 (or one-half of such amount in the case of a married individual filing a separate return).

For the purposes of this section, "Virginia adjusted gross income" means federal adjusted gross income for the taxable years with the modifications specified in §§ 58.1-322.01 and 58.1-322.02.

B. Persons in the Armed Forces of the United States stationed on military or naval reservations within Virginia who are not domiciled in Virginia shall not be held liable to income taxation for compensation received from military or naval service.

C. For taxable years beginning on and after January 1, 2020, but before ~~January~~ July 1, 2026, any amount that is includible in the federal adjusted gross income of an eligible veteran by reason of the whole or partial discharge of any loan described in § 108(f)(5)(B) of the Internal Revenue Code shall be excluded from Virginia adjusted gross income. This exclusion shall apply only to those discharges that (i) are described in clauses (i), (ii), and (iii) of § 108(f)(5)(A) of the Internal Revenue Code and (ii) occur after December 31, 2017. For the purposes of this subsection, "eligible veteran" means a veteran who has been rated by the U.S. Department of Veterans Affairs, or its successor agency pursuant to federal law, to have a 100 percent service-connected, permanent, and total disability.

§ 58.1-322.03. Virginia taxable income; deductions.

In computing Virginia taxable income pursuant to § 58.1-322, there shall be deducted from Virginia adjusted gross income as defined in § 58.1-321:

1. a. The amount allowable for itemized deductions for federal income tax purposes where the taxpayer has elected for the taxable year to itemize deductions on his federal return, but reduced by the amount of income taxes imposed by the Commonwealth or any other taxing jurisdiction and deducted on such federal

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59 return and increased by an amount that, when added to the amount deducted under § 170 of the Internal
 60 Revenue Code for mileage, results in a mileage deduction at the state level for such purposes at a rate of 18
 61 cents per mile; or

62 b. Provided that the taxpayer has not itemized deductions for the taxable year on his federal income tax
 63 return: (i) for taxable years beginning before January 1, 2019, and on and after January 1, 2026, \$3,000 for
 64 single individuals and \$6,000 for married persons (one-half of such amounts in the case of a married
 65 individual filing a separate return); (ii) for taxable years beginning on and after January 1, 2019, but before
 66 January 1, 2022, \$4,500 for single individuals and \$9,000 for married persons (one-half of such amounts in
 67 the case of a married individual filing a separate return); (iii) for taxable years beginning on and after January
 68 1, 2022, but before January 1, 2024, \$8,000 for single individuals and \$16,000 for married persons (one-half
 69 of such amounts in the case of a married individual filing a separate return); and (iv) for taxable years
 70 beginning on and after January 1, 2024, but before January 1, 2026, \$8,500 for single individuals and \$17,000
 71 for married persons (one-half of such amounts in the case of a married individual filing a separate return). For
 72 purposes of this section, any person who may be claimed as a dependent on another taxpayer's return for the
 73 taxable year may compute the deduction only with respect to earned income.

74 2. a. A deduction in the amount of \$930 for each personal exemption allowable to the taxpayer for federal
 75 income tax purposes.

76 b. Each blind or aged taxpayer as defined under § 63(f) of the Internal Revenue Code shall be entitled to
 77 an additional personal exemption in the amount of \$800.

78 The additional deduction for blind or aged taxpayers allowed under this subdivision shall be allowable
 79 regardless of whether the taxpayer itemizes deductions for the taxable year for federal income tax purposes.

80 3. A deduction equal to the amount of employment-related expenses upon which the federal credit is
 81 based under § 21 of the Internal Revenue Code for expenses for household and dependent care services
 82 necessary for gainful employment.

83 4. An additional \$1,000 deduction for each child residing for the entire taxable year in a home under
 84 permanent foster care placement as defined in § 63.2-908, provided that the taxpayer can also claim the child
 85 as a personal exemption under § 151 of the Internal Revenue Code.

86 5. a. A deduction in the amount of \$12,000 for individuals born on or before January 1, 1939.

87 b. A deduction in the amount of \$12,000 for individuals born after January 1, 1939, who have attained the
 88 age of 65. This deduction shall be reduced by \$1 for every \$1 that the taxpayer's adjusted federal adjusted
 89 gross income exceeds \$50,000 for single taxpayers or \$75,000 for married taxpayers. For married taxpayers
 90 filing separately, the deduction shall be reduced by \$1 for every \$1 that the total combined adjusted federal
 91 adjusted gross income of both spouses exceeds \$75,000.

92 For the purposes of this subdivision, "adjusted federal adjusted gross income" means federal adjusted
 93 gross income minus any benefits received under Title II of the Social Security Act and other benefits subject
 94 to federal income taxation solely pursuant to § 86 of the Internal Revenue Code, as amended.

95 6. The amount an individual pays as a fee for an initial screening to become a possible bone marrow
 96 donor, if (i) the individual is not reimbursed for such fee or (ii) the individual has not claimed a deduction for
 97 the payment of such fee on his federal income tax return.

98 7. a. A deduction shall be allowed to the purchaser or contributor for the amount paid or contributed
 99 during the taxable year for a prepaid tuition contract or college savings trust account entered into with the
 100 Commonwealth Savers Plan, pursuant to Chapter 7 (§ 23.1-700 et seq.) of Title 23.1. Except as provided in
 101 subdivision b, the amount deducted on any individual income tax return in any taxable year shall be limited to
 102 \$4,000 per prepaid tuition contract or college savings trust account. No deduction shall be allowed pursuant
 103 to this subdivision 7 if such payments or contributions are deducted on the purchaser's or contributor's federal
 104 income tax return. If the purchase price or annual contribution to a college savings trust account exceeds
 105 \$4,000, the remainder may be carried forward and subtracted in future taxable years until the purchase price
 106 or college savings trust contribution has been fully deducted; however, except as provided in subdivision b, in
 107 no event shall the amount deducted in any taxable year exceed \$4,000 per contract or college savings trust
 108 account. Notwithstanding the statute of limitations on assessments contained in § 58.1-312, any deduction
 109 taken hereunder shall be subject to recapture in the taxable year or years in which distributions or refunds are
 110 made for any reason other than (i) to pay qualified higher education expenses, as defined in § 529 of the
 111 Internal Revenue Code or (ii) the beneficiary's death, disability, or receipt of a scholarship. For the purposes
 112 of this subdivision, "purchaser" or "contributor" means the person shown as such on the records of the
 113 Commonwealth Savers Plan as of December 31 of the taxable year. In the case of a transfer of ownership of a
 114 prepaid tuition contract or college savings trust account, the transferee shall succeed to the transferor's tax
 115 attributes associated with a prepaid tuition contract or college savings trust account, including, but not limited
 116 to, carryover and recapture of deductions.

117 b. A purchaser of a prepaid tuition contract or contributor to a college savings trust account who has
 118 attained age 70 shall not be subject to the limitation that the amount of the deduction not exceed \$4,000 per
 119 prepaid tuition contract or college savings trust account in any taxable year. Such taxpayer shall be allowed a

120 deduction for the full amount paid for the contract or contributed to a college savings trust account, less any
121 amounts previously deducted.

122 8. The total amount an individual actually contributed in funds to the Virginia Public School Construction
123 Grants Program and Fund, established in Chapter 11.1 (§ 22.1-175.1 et seq.) of Title 22.1, provided that the
124 individual has not claimed a deduction for such amount on his federal income tax return.

125 9. An amount equal to 20 percent of the tuition costs incurred by an individual employed as a primary or
126 secondary school teacher licensed pursuant to Chapter 15 (§ 22.1-289.1 et seq.) of Title 22.1 to attend
127 continuing teacher education courses that are required as a condition of employment; however, the deduction
128 provided by this subdivision shall be available only if (i) the individual is not reimbursed for such tuition
129 costs and (ii) the individual has not claimed a deduction for the payment of such tuition costs on his federal
130 income tax return.

131 10. The amount an individual pays annually in premiums for long-term health care insurance, provided
132 that the individual has not claimed a deduction for federal income tax purposes, or, for taxable years
133 beginning before January 1, 2014, a credit under § 58.1-339.11. For taxable years beginning on and after
134 January 1, 2014, no such deduction for long-term health care insurance premiums paid by the individual
135 during the taxable year shall be allowed if the individual has claimed a federal income tax deduction for such
136 taxable year for long-term health care insurance premiums paid by him.

137 11. Contract payments to a producer of quota tobacco or a tobacco quota holder, or their spouses, as
138 provided under the American Jobs Creation Act of 2004 (P.L. 108-357), but only to the extent that such
139 payments have not been subtracted pursuant to subsection D of § 58.1-402, as follows:

140 a. If the payment is received in installment payments, then the recognized gain may be subtracted in the
141 taxable year immediately following the year in which the installment payment is received.

142 b. If the payment is received in a single payment, then 10 percent of the recognized gain may be
143 subtracted in the taxable year immediately following the year in which the single payment is received. The
144 taxpayer may then deduct an equal amount in each of the nine succeeding taxable years.

145 12. An amount equal to 20 percent of the sum paid by an individual pursuant to Chapter 6 (§ 58.1-600 et
146 seq.), not to exceed \$500 in each taxable year, in purchasing for his own use the following items of tangible
147 personal property: (i) any clothes washers, room air conditioners, dishwashers, and standard size refrigerators
148 that meet or exceed the applicable energy star efficiency requirements developed by the U.S. Environmental
149 Protection Agency and the U.S. Department of Energy; (ii) any fuel cell that (a) generates electricity using an
150 electrochemical process, (b) has an electricity-only generation efficiency greater than 35 percent, and (c) has
151 a generating capacity of at least two kilowatts; (iii) any gas heat pump that has a coefficient of performance
152 of at least 1.25 for heating and at least 0.70 for cooling; (iv) any electric heat pump hot water heater that
153 yields an energy factor of at least 1.7; (v) any electric heat pump that has a heating system performance factor
154 of at least 8.0 and a cooling seasonal energy efficiency ratio of at least 13.0; (vi) any central air conditioner
155 that has a cooling seasonal energy efficiency ratio of at least 13.5; (vii) any advanced gas or oil water heater
156 that has an energy factor of at least 0.65; (viii) any advanced oil-fired boiler with a minimum annual
157 fuel-utilization rating of 85; (ix) any advanced oil-fired furnace with a minimum annual fuel-utilization rating
158 of 85; and (x) programmable thermostats.

159 13. The lesser of \$5,000 or the amount actually paid by a living donor of an organ or other living tissue
160 for unreimbursed out-of-pocket expenses directly related to the donation that arose within 12 months of such
161 donation, provided that the donor has not taken a medical deduction in accordance with the provisions of §
162 213 of the Internal Revenue Code for such expenses. The deduction may be taken in the taxable year in
163 which the donation is made or the taxable year in which the 12-month period expires.

164 14. For taxable years beginning on and after January 1, 2013, the amount an individual age 66 or older
165 with earned income of at least \$20,000 for the year and federal adjusted gross income not in excess of
166 \$30,000 for the year pays annually in premiums for (i) a prepaid funeral insurance policy covering the
167 individual or (ii) medical or dental insurance for any person for whom individual tax filers may claim a
168 deduction for such premiums under federal income tax laws. As used in this subdivision, "earned income"
169 means the same as that term is defined in § 32(c) of the Internal Revenue Code. The deduction shall not be
170 allowed for any portion of such premiums paid for which the individual has (a) been reimbursed, (b) claimed
171 a deduction for federal income tax purposes, (c) claimed a deduction or subtraction under another provision
172 of this section, or (d) claimed a federal income tax credit or any income tax credit pursuant to this chapter.

173 15. Business interest disallowed as a deduction pursuant to § 163(j) of the Internal Revenue Code:

174 a. For taxable years beginning on and after January 1, 2018, but before January 1, 2022, 20 percent of
175 such disallowed business interest;

176 b. For taxable years beginning on and after January 1, 2022, but before January 1, 2024, 30 percent of
177 such disallowed business interest;

178 c. For taxable years beginning on and after January 2, 2024, 50 percent of such disallowed business
179 interest.

180 For purposes of subdivision 15, "business interest" means the same as that term is defined under § 163(j)

181 of the Internal Revenue Code.

182 16. For taxable years beginning on and after January 1, 2019, the actual amount of real and personal
 183 property taxes imposed by the Commonwealth or any other taxing jurisdiction not otherwise deducted solely
 184 on account of the dollar limitation imposed on individual deductions by § 164(b)(6)(B) of the Internal
 185 Revenue Code.

186 17. For taxable years beginning before January 1, 2021, up to \$100,000 of the amount that is not
 187 deductible when computing federal adjusted gross income solely on account of the portion of subdivision B
 188 10 of § 58.1-301 related to Paycheck Protection Program loans.

189 18. For taxable years beginning on and after January 1, 2022, but before ~~January 1, 2025~~ July 1, 2026, the
 190 lesser of \$500 or the actual amount paid or incurred for eligible educator qualifying expenses. For purposes
 191 of this subdivision, "eligible educator" means an individual who for at least 900 hours during the taxable year
 192 in which the credit under this section is claimed served as a teacher licensed pursuant to Chapter 15 (§
 193 22.1-289.1 et seq.) of Title 22.1, instructor, student counselor, principal, special needs personnel, or student
 194 aide serving accredited public or private primary and secondary school students in Virginia, and "qualifying
 195 expenses" means 100 percent of the amount paid or incurred by an eligible educator during the taxable year
 196 for participation in professional development courses and the purchase of books, supplies, computer
 197 equipment (including related software and services), other educational and teaching equipment, and
 198 supplementary materials used directly in that individual's service to students as an eligible educator, provided
 199 that such purchases were neither reimbursed nor claimed as a deduction on the eligible educator's federal
 200 income tax return for such taxable year.

201 **§ 58.1-332. Credits for taxes paid other states.**

202 A. Whenever a Virginia resident has become liable to another state for income tax on any earned or
 203 business income or any gain on the sale of a capital asset (within the meaning of § 1221 of the Internal
 204 Revenue Code), not including an asset used in a trade or business, to the extent that such gain is included in
 205 federal adjusted gross income, for the taxable year, derived from sources outside the Commonwealth and
 206 subject to taxation under this chapter, the amount of such tax payable by him shall, upon proof of such
 207 payment, be credited on the taxpayer's return with the income tax so paid to the other state.

208 However, no franchise tax, license tax, excise tax, unincorporated business tax, occupation tax or any tax
 209 characterized as such by the taxing jurisdiction, although applied to earned or business income, shall qualify
 210 for a credit under this section, nor shall any tax which, if characterized as an income tax or a commuter tax,
 211 would be illegal and unauthorized under such other state's controlling or enabling legislation qualify for a
 212 credit under this section.

213 The credit allowable under this section shall not exceed: (i) such proportion of the income tax otherwise
 214 payable by him under this chapter as his income upon which the tax imposed by the other state was computed
 215 bears to his Virginia taxable income upon which the tax imposed by this Commonwealth was computed or
 216 (ii) the income tax otherwise payable under this chapter in the event that the income upon which the tax
 217 imposed by the other state is computed is less than the Virginia taxable income upon which the tax imposed
 218 by this Commonwealth is computed and all income derived from sources outside the Commonwealth and
 219 subject to taxation under this chapter is earned income or business income reported on federal form Schedule
 220 C from a single state contiguous to Virginia. The credit provided for by this section shall not be granted to a
 221 resident individual when the laws of another state, under which the income in question is subject to tax
 222 assessment, provide a credit to such resident individual substantially similar to that granted by subsection B
 223 of this section.

224 B. Whenever a nonresident individual of this Commonwealth has become liable to the state where he
 225 resides for income tax upon his Virginia taxable income for the taxable year, derived from Virginia sources
 226 and subject to taxation under this chapter, the amount of such tax payable under this chapter shall be credited
 227 with such proportion of the tax so payable by him to the state where he resides, upon proof of such payment,
 228 as his income subject to taxation under this chapter bears to his entire income upon which the tax so payable
 229 to such other state was imposed. The credit, however, shall be allowed only if the laws of such state: (i) grant
 230 a substantially similar credit to residents of Virginia subject to income tax under such laws or (ii) impose a
 231 tax upon the income of its residents derived from Virginia sources and exempt from taxation the income of
 232 residents of this Commonwealth. No credit shall be allowed against the amount of the tax on any income
 233 taxable under this chapter which is exempt from taxation under the laws of such other state.

234 C. 1. For purposes of this section, the amount of any state income tax paid by an electing small business
 235 corporation (S corporation) shall be deemed to have been paid by its individual shareholders in proportion to
 236 their ownership of the stock of such corporation.

237 2. For taxable years beginning on and after January 1, 2021, but before ~~January~~ July 1, 2026, for purposes
 238 of this section, the amount of any state income tax paid by a pass-through entity under a law of another state
 239 substantially similar to § 58.1-390.3 shall be deemed to have been paid by its individual owners in proportion
 240 to their ownership.

241 **§ 58.1-339.8. Income tax credit for low-income taxpayers.**

242 A. As used in this section, unless the context requires otherwise:

243 "Family Virginia adjusted gross income" means the combined Virginia adjusted gross income of an
 244 individual, the individual's spouse, and any person claimed as a dependent on the individual's or his spouse's
 245 income tax return for the taxable year.

246 "Household" means an individual, or in the case of married persons, an individual and his spouse,
 247 regardless of whether or not the individual and his spouse file combined or separate Virginia individual
 248 income tax returns.

249 "Poverty guidelines" means the poverty guidelines for the 48 contiguous states and the District of
 250 Columbia updated annually in the Federal Register by the U.S. Department of Health and Human Services
 251 under the authority of § 673(2) of the Omnibus Budget Reconciliation Act of 1981.

252 "Virginia adjusted gross income" has the same meaning as the term is defined in § 58.1-321.

253 B. 1. For taxable years beginning on and after January 1, 2000, any individual or persons filing a joint
 254 return whose family Virginia adjusted gross income does not exceed 100 percent of the poverty guideline
 255 amount corresponding to a household of an equal number of persons as listed in the poverty guidelines
 256 published during such taxable year, shall be allowed a nonrefundable credit against the tax levied pursuant to
 257 § 58.1-320 in an amount equal to \$300 each for the individual, the individual's spouse, and any person
 258 claimed as a dependent on the individual's or married individuals' income tax return for the taxable year. For
 259 any taxable year in which married individuals file separate Virginia income tax returns, the credit provided
 260 under this section shall be allowed against the tax for only one of such two tax returns. Additionally, the
 261 credit provided under this section shall not be allowed against such tax of a dependent of the individual or of
 262 married individuals.

263 2. For taxable years beginning on and after January 1, 2006, any individual or married individuals, eligible
 264 for a tax credit pursuant to § 32 of the Internal Revenue Code, may for the taxable year, in lieu of the credit
 265 authorized under subdivision 1, claim a nonrefundable credit against the tax imposed pursuant to § 58.1-320
 266 in an amount equal to 20 percent of the credit claimed by the individual or married individuals for federal
 267 individual income taxes pursuant to § 32 of the Internal Revenue Code for the taxable year. In no case shall a
 268 household be allowed a credit pursuant to this subdivision and subdivision 1 or 3 for the same taxable year.

269 3. For taxable years beginning on and after January 1, 2022, but before ~~January~~ July 1, 2026, any
 270 individual or married persons, eligible for a tax credit pursuant to § 32 of the Internal Revenue Code, may for
 271 the taxable year, in lieu of the credit authorized under subdivision 1 or 2, claim a refundable credit against the
 272 tax imposed pursuant to § 58.1-320 in an amount equal to 15 percent of the credit claimed by the individual
 273 or married persons for federal individual income taxes pursuant to § 32 of the Internal Revenue Code for the
 274 taxable year. The refundable credit shall be claimed on the Virginia income tax return and redeemed by the
 275 Tax Commissioner. In no case shall a household be allowed a credit pursuant to this subdivision and
 276 subdivision 1 or 2 for the same taxable year.

277 C. The amount of the credit claimed pursuant to subdivision B 1 and B 2, or in the case of a nonresident or
 278 a person to which § 58.1-303 applies, subdivision B 3, for any taxable year shall not exceed the individual's
 279 or married individuals' Virginia income tax liability.

280 D. Notwithstanding any other provision of this section, no credit shall be allowed pursuant to subsection B
 281 in any taxable year in which the individual, the individual's spouse, or both, or any person claimed as a
 282 dependent on such individual's or married individuals' income tax return, claims one or any combination of
 283 the following on his or their income tax return for such taxable year:

- 284 1. The subtraction under subdivision 8 of § 58.1-322.02;
- 285 2. The subtraction under subdivision 15 of § 58.1-322.02;
- 286 3. The subtraction under subdivision 16 of § 58.1-322.02;
- 287 4. The deduction for the additional personal exemption for blind or aged taxpayers under subdivision 2 b
 288 of § 58.1-322.03; or
- 289 5. The deduction under subdivision 5 of § 58.1-322.03.

290 **§ 58.1-339.13. Reforestation and afforestation tax credit.**

291 A. For the purposes of this section, "eligible expenditures" means direct expenses incurred by a taxpayer
 292 related to implementing beneficial hardwood management practices pursuant to best practices developed by
 293 the Department of Forestry.

294 B. In order to encourage the planting and sustainable growth of hardwood trees, which take longer to
 295 reach maturity and thus take a longer time for a taxpayer to recoup investment expenses, for taxable years
 296 beginning on and after January 1, 2022, but before ~~January 1, 2025~~ July 1, 2026, a taxpayer shall be allowed
 297 a nonrefundable credit against the tax levied pursuant to § 58.1-320 for eligible expenditures. The credit shall
 298 equal the lesser of the eligible expenditures incurred by the taxpayer or \$1,000.

299 C. The total amount of tax credits available under this section for a taxable year shall not exceed \$1
 300 million. Approved applications for such credits shall be administered and credits shall be allocated by the
 301 Department of Forestry on a first-come, first-served basis. In order to claim the credit, the taxpayer shall
 302 submit a forest management plan to the Department of Forestry for review. After approval of the plan, and
 303 completion of the implementation of the plan, the Department of Forestry shall certify the forest management

304 plan contains beneficial management practices as eligible for the credit. The taxpayer shall forward the
305 certification to the Department on forms provided by the Department. Approval and implementation of a
306 forest management plan shall be completed the same year in which the credit is claimed.

307 D. The amount of the credit that may be claimed in any single taxable year shall not exceed the taxpayer's
308 liability for taxes imposed by this chapter for that taxable year. If the amount of the credit allowed under this
309 section exceeds the taxpayer's tax liability for the taxable year in which the eligible expenditures occurred,
310 the amount that exceeds the tax liability may be carried over for credit against the income taxes of the
311 taxpayer in the next five taxable years or until the total amount of the tax credit has been taken, whichever is
312 sooner.

313 E. To the extent that a taxpayer participates in the Hardwood Habitat Incentive Program, the taxpayer may
314 claim the credit under this section for any remaining liability after such cost-share.

315 F. The Tax Commissioner, in coordination with the State Forester, shall develop guidelines for claiming
316 the credit provided by this section. Such guidelines shall be exempt from the provisions of the Administrative
317 Process Act (§ 2.2-4000 et seq.).

318 **§ 58.1-390.3. Elective income tax on pass-through entities.**

319 A. 1. For taxable years beginning on and after January 1, 2021, but before January 1, 2022, a pass-through
320 entity may make an election, in a format and according to such requirements and procedures to be established
321 by the Department, to pay the tax levied by this section at the entity level for the taxable year. Such election
322 shall be made on or before a date to be determined by the Department, which shall be set no earlier than one
323 year after the extended due date for filing the applicable return. Notwithstanding §§ 58.1-1812 and 58.1-1833
324 , no interest shall accrue on underpayments or overpayments solely attributable to such election.

325 2. For taxable years beginning on and after January 1, 2022, but before ~~January~~ July 1, 2026, a
326 pass-through entity may make an annual election, on its timely filed return pursuant to § 58.1-392, to pay the
327 tax levied by this section at the entity level for the taxable period covered by such return. Such election shall
328 be made on or before the due date for filing the applicable return, including any extensions that have been
329 granted.

330 B. A tax at the rate of 5.75 percent is hereby annually imposed on the Virginia taxable income, as
331 calculated pursuant to § 58.1-391 but taking into account only the pro rata or distributive share of each item
332 of income, gain, loss, or deduction attributable to eligible owners, for each taxable year of every pass-through
333 entity that makes the election provided under subsection A.

334 C. In computing the tax imposed by this section, the pro rata or distributive share of the Virginia taxable
335 income of each nonresident eligible owner shall be limited to income that is attributable to Virginia sources
336 and shall be subject to the modifications to income as described in §§ 58.1-322.01 through 58.1-322.04.

337 D. A pass-through entity that elects to pay the tax levied by subsection B shall be eligible for all credits,
338 deductions, or other adjustments to taxable income under § 58.1-391, provided that a pass-through entity's
339 taxable income shall be adjusted to eliminate any federal deduction for state and local income taxes.

340 E. Any person that is subject to the tax imposed under § 58.1-320 or 58.1-360 and is an eligible owner of
341 a pass-through entity making the election pursuant to this section shall be entitled to a credit against the tax
342 imposed, provided that taxable income has been adjusted to add back any deduction for state and local
343 income taxes paid by the pass-through entity. Such credit shall be in an amount equal to such person's pro
344 rata share of the tax paid under this section by any pass-through entity of which such person is an owner. If
345 the amount of the credit allowed pursuant to this subsection exceeds such person's tax liability for the tax
346 imposed under § 58.1-320 or 58.1-360, as applicable, such excess shall be treated as an overpayment and
347 refundable pursuant to § 58.1-499.

348 F. If any pass-through entity makes an election pursuant to this section, the Department shall assess and
349 collect tax, interest, and penalties as if such tax is a corporate income tax imposed pursuant to the provisions
350 of Article 10 (§ 58.1-400 et seq.).

351 G. The Department shall develop and make publicly available guidelines implementing the provisions of
352 this section and the credit authorized by subdivision C 2 of § 58.1-332.

353 **§ 58.1-408. What income apportioned and how.**

354 A. The Virginia taxable income of any corporation, except those subject to the provisions of § 58.1-417,
355 58.1-418, 58.1-419, 58.1-420, 58.1-422, 58.1-422.1, 58.1-422.2, or 58.1-422.3, excluding income allocable
356 under § 58.1-407, shall be apportioned to the Commonwealth by multiplying such income by a fraction, the
357 numerator of which is the property factor plus the payroll factor, plus twice the sales factor, and the
358 denominator of which is four; however, where the sales factor does not exist, the denominator of the fraction
359 shall be the number of existing factors and where the sales factor exists but the payroll factor or the property
360 factor does not exist, the denominator of the fraction shall be the number of existing factors plus one.

361 B. Any eligible company, as defined in § 58.1-405.1, may subtract from the numerator of the
362 corresponding factor the value of its (i) property acquired in any qualified locality or qualified localities, as
363 defined in § 58.1-405.1, on or after January 1, 2018, but before January 1, ~~2025~~ 2026; (ii) payroll attributable
364 to jobs created on or after January 1, 2018, but before January 1, ~~2025~~ 2026, in any qualified locality or

365 qualified localities; and (iii) sales in the Commonwealth during the taxable year. Such eligible company may
366 make such modification for the taxable year in which it first becomes eligible and for the six subsequent,
367 consecutive taxable years, except for any year in which the eligible company's (a) total, cumulative new
368 capital investment falls below the applicable initial threshold or (b) number of new jobs falls below the
369 applicable initial threshold.

370 **§ 58.1-439. Major business facility job tax credit.**

371 A. For taxable years beginning on and after January 1, 1995, but before July 1, ~~2025~~ 2026, a taxpayer
372 shall be allowed a credit against the taxes imposed by Articles 2 (§ 58.1-320 et seq.), 6 (§ 58.1-360 et seq.),
373 and 10 (§ 58.1-400 et seq.) of Chapter 3; Chapter 12 (§ 58.1-1200 et seq.); Article 1 (§ 58.1-2500 et seq.) of
374 Chapter 25; or Article 2 (§ 58.1-2620 et seq.) of Chapter 26 as set forth in this section.

375 B. For purposes of this section, the amount of any credit attributable to a partnership, electing small
376 business corporation (S corporation), or limited liability company shall be allocated to the individual partners,
377 shareholders, or members, respectively, in proportion to their ownership or interest in such business entities.

378 C. A "major business facility" is a company that satisfies the following criteria:

379 1. Subject to the provisions of subsections K or L, the establishment or expansion of the company shall
380 result in the creation of at least 50 jobs for qualified full-time employees; the first such 50 jobs shall be
381 referred to as the "threshold amount"; and

382 2. The company is engaged in any business in the Commonwealth, except a retail trade business if such
383 trade is the principal activity of an individual facility in the Commonwealth. Examples of types of major
384 business facilities that are eligible for the credit provided under this section include, but are not limited to, a
385 headquarters, or portion of such a facility, where company employees are physically employed, and where the
386 majority of the company's financial, personnel, legal or planning functions are handled either on a regional or
387 national basis. A company primarily engaged in the Commonwealth in the business of manufacturing or
388 mining; agriculture, forestry or fishing; transportation or communications; or a public utility subject to the
389 corporation income tax shall be deemed to have established or expanded a major business facility in the
390 Commonwealth if it meets the requirements of subdivision 1 during a single taxable year and such facilities
391 are not retail establishments. A major business facility shall also include facilities that perform central
392 management or administrative activities, whether operated as a separate trade or business, or as a separate
393 support operation of another business. Central management or administrative activities include, but are not
394 limited to, general management; accounting; computing; tabulating; purchasing; transportation or shipping;
395 engineering and systems planning; advertising; technical sales and support operations; central administrative
396 offices and warehouses; research, development and testing laboratories; computer-programming, data-
397 processing and other computer-related services facilities; and legal, financial, insurance, and real estate
398 services. The terms used in this subdivision to refer to various types of businesses shall have the same
399 meanings as those terms are commonly defined in the Standard Industrial Classification Manual.

400 D. For purposes of this section, the "credit year" is the first taxable year following the taxable year in
401 which the major business facility commenced or expanded operations.

402 E. The Department of Taxation shall make all determinations as to the classification of a major business
403 facility in accordance with the provisions of this section.

404 F. A "qualified full-time employee" means an employee filling a new, permanent full-time position in a
405 major business facility in the Commonwealth. A "new, permanent full-time position" is a job of an indefinite
406 duration, created by the company as a result of the establishment or expansion of a major business facility in
407 the Commonwealth, requiring a minimum of 35 hours of an employee's time a week for the entire normal
408 year of the company's operations, which "normal year" shall consist of at least 48 weeks, or a position of
409 indefinite duration which requires a minimum of 35 hours of an employee's time a week for the portion of the
410 taxable year in which the employee was initially hired for, or transferred to, the major business facility in the
411 Commonwealth. Seasonal or temporary positions, or a job created when a job function is shifted from an
412 existing location in the Commonwealth to the new major business facility and positions in building and
413 grounds maintenance, security, and other such positions which are ancillary to the principal activities
414 performed by the employees at a major business facility shall not qualify as new, permanent full-time
415 positions.

416 G. For any major business facility, the amount of credit earned pursuant to this section shall be equal to
417 \$1,000 per qualified full-time employee, over the threshold amount, employed during the credit year. The
418 credit shall be allowed ratably, with one-third of the credit amount allowed annually for three years beginning
419 with the credit year. However, for taxable years beginning on or after January 1, 2009, one-half of the credit
420 amount shall be allowed each year for two years. The portion of the \$1,000 credit earned with respect to any
421 qualified full-time employee who is employed in the Commonwealth for less than 12 full months during the
422 credit year will be determined by multiplying the credit amount by a fraction, the numerator of which is the
423 number of full months that the qualified full-time employee worked for the major business facility in the
424 Commonwealth during the credit year, and the denominator of which is 12. A separate credit year and a
425 three-year allowance period shall exist for each distinct major business facility of a single taxpayer, except

426 for credits allowed for taxable years beginning on or after January 1, 2009, when a two-year allowance period
427 shall exist for each distinct major business facility of a single taxpayer.

428 H. The amount of credit allowed pursuant to this section shall not exceed the tax imposed for such taxable
429 year. Any credit not usable for the taxable year the credit was allowed may be, to the extent usable, carried
430 over for the next 10 succeeding taxable years. No credit shall be carried back to a preceding taxable year. In
431 the event that a taxpayer who is subject to the tax limitation imposed pursuant to this subsection is allowed
432 another credit pursuant to any other section of the Code of Virginia, or has a credit carryover from a
433 preceding taxable year, such taxpayer shall be considered to have first utilized any credit allowed which does
434 not have a carryover provision, and then any credit which is carried forward from a preceding taxable year,
435 prior to the utilization of any credit allowed pursuant to this section.

436 I. No credit shall be earned pursuant to this section for any employee (i) for whom a credit under this
437 section was previously earned by a related party as defined by Internal Revenue Code § 267(b) or a trade or
438 business under common control as defined by Internal Revenue Code § 52(b); (ii) who was previously
439 employed in the same job function in Virginia by a related party as defined by Internal Revenue Code §
440 267(b) or a trade or business under common control as defined by Internal Revenue Code § 52(b); (iii) whose
441 job function was previously performed at a different location in Virginia by an employee of the taxpayer, a
442 related party as defined by Internal Revenue Code § 267(b), or a trade or business under common control as
443 defined by Internal Revenue Code § 52(b); or (iv) whose job function previously qualified for a credit under
444 this section at a different major business facility on behalf of the taxpayer, a related party as defined by
445 Internal Revenue Code § 267(b), or a trade or business under common control as defined by Internal Revenue
446 Code § 52(b).

447 J. Subject to the provisions of subsections K or L, recapture of this credit, under the following
448 circumstances, shall be accomplished by increasing the tax in any of the five years succeeding the taxable
449 year in which a credit has been earned pursuant to this section if the number of qualified full-time employees
450 decreases below the average number of qualified full-time employees employed during the credit year. Such
451 tax increase amount shall be determined by (i) recomputing the credit which would have been earned for the
452 original credit year using the decreased number of qualified full-time employees and (ii) subtracting such
453 recomputed credit from the amount of credit previously earned. In the event that the average number of
454 qualifying full-time employees employed at a major business facility falls below the threshold amount in any
455 of the five taxable years succeeding the credit year, all credits earned with respect to such major business
456 facility shall be recaptured. No credit amount will be recaptured more than once pursuant to this subsection.
457 Any recapture pursuant to this section shall reduce credits earned but not yet allowed, and credits allowed but
458 carried forward, before the taxpayer's tax liability may be increased.

459 K. In the event that a major business facility is located in an economically distressed area or in an
460 enterprise zone as defined in Chapter 49 (§ 59.1-538 et seq.) of Title 59.1 during a credit year, the threshold
461 amount required to qualify for a credit pursuant to this section and to avoid full recapture shall be reduced
462 from 50 to 25 for purposes of subdivision C 1 and subsection J. An area shall qualify as economically
463 distressed if it is a city or county with an unemployment rate for the preceding year of at least 0.5 percent
464 higher than the average statewide unemployment rate for such year. The Virginia Economic Development
465 Partnership shall identify and publish a list of all economically distressed areas at least annually.

466 L. For taxable years beginning on or after January 1, 2004, but before January 1, 2006, in the event that a
467 major business facility is located in a severely economically distressed area, the threshold amount required to
468 qualify for a credit pursuant to this section and to avoid full recapture shall be reduced from 100 to 25 for
469 purposes of subdivision C 1 and subsection J. However, the total amount of credit allowable under this
470 subsection shall not exceed \$100,000 in aggregate. An area shall qualify as severely economically distressed
471 if it is a city or county with an unemployment rate for the preceding year of at least twice the average
472 statewide unemployment rate for such year. The Virginia Economic Development Partnership shall identify
473 and publish a list of all severely economically distressed areas at least annually.

474 M. The Tax Commissioner shall promulgate regulations, in accordance with the Administrative Process
475 Act (§ 2.2-4000 et seq.), relating to (i) the computation, carryover, and recapture of the credit provided under
476 this section; (ii) defining criteria for (a) a major business facility, (b) qualifying full-time employees at such
477 facility, and (c) economically distressed areas; and (iii) the computation, carryover, recapture, and redemption
478 of the credit by affiliated companies pursuant to subsection S.

479 N. The provisions of this section shall apply only in instances where an announcement of intent to
480 establish or expand a major business facility is made on or after January 1, 1994. An announcement of intent
481 to establish or expand a major business facility includes, but is not limited to, a press conference or extensive
482 press coverage, providing information with respect to the impact of the project on the economy of the area
483 where the major business facility is to be established or expanded and the Commonwealth as a whole.

484 O. The credit allowed pursuant to this section shall be granted to the person who pays taxes for the
485 qualified full-time employees pursuant to Chapter 5 (§ 60.2-500 et seq.) of Title 60.2.

486 P. No person shall claim a credit allowed pursuant to this section and the credit allowed pursuant to §

487 58.1-439.2. Any qualified business firm receiving an enterprise zone job creation grant under § 59.1-547 shall
488 not be eligible to receive a major business facility job tax credit pursuant to this section for any job used to
489 qualify for the enterprise zone job creation grant.

490 Q. No person operating a business in the Commonwealth pursuant to Chapter 29 (§ 59.1-364 et seq.) of
491 Title 59.1 shall claim a credit pursuant to this section.

492 R. Notwithstanding subsection O, a taxpayer may, for the purpose of determining the number of qualified
493 full-time employees at a major business facility, include the employees of a contractor or a subcontractor if
494 such employees are permanently assigned to the taxpayer's major business facility. If the taxpayer includes
495 the employees of a contractor or subcontractor in its total of qualified full-time employees, it shall enter into a
496 contractual agreement with the contractor or subcontractor prohibiting the contractor or subcontractor from
497 also claiming these employees in order to receive a credit given under this section. The taxpayer shall provide
498 evidence satisfactory to the Department of Taxation that it has entered into such a contract.

499 S. For purposes of satisfying the criteria of subdivision C 1, two or more affiliated companies may elect to
500 aggregate the number of jobs created for qualified full-time employees as the result of the establishment or
501 expansion by the individual companies in order to qualify for the credit allowed pursuant to this section. For
502 purposes of this subsection, "affiliated companies" means two or more companies related to each other such
503 that (i) one company owns at least 80 percent of the voting power of the other or others or (ii) at least 80
504 percent of the voting power of two or more companies is owned by the same interests.

505 T. The General Assembly of Virginia finds that modern business infrastructure allows businesses to locate
506 their administrative or manufacturing facilities with minimal regard to the location of markets or the
507 transportation of raw materials and finished goods, and that the economic vitality of the Commonwealth
508 would be enhanced if such facilities were established in Virginia. Accordingly, the provisions of this section
509 targeting the credit to major business facilities and limiting the credit to those companies which establish a
510 major business facility in Virginia are integral to the purpose of the credit earned pursuant to this section and
511 shall not be deemed severable.

512 U. For taxable years beginning on and after January 1, 2019, and notwithstanding the provisions of §
513 58.1-3 or any other provision of law, the Department of Taxation, in consultation with the Virginia Economic
514 Development Partnership, shall publish the following information by November 1 of each year for the
515 12-month period ending on the preceding December 31:

- 516 1. The location of sites used for major business facilities for which a credit was claimed;
- 517 2. The North American Industry Classification System codes used for the major business facilities for
518 which a credit was claimed;
- 519 3. The number of qualified full time employees for whom a credit was claimed; and
- 520 4. The total cost to the Commonwealth's general fund of the credits claimed.

521 Such information shall be published by the Department, regardless of how few taxpayers claimed the tax
522 credit, in a manner that prevents the identification of particular taxpayers, reports, returns, or items.

523 **§ 58.1-439.6:1. Worker training tax credit.**

524 A. As used in this section, unless the context requires a different meaning:

525 "Eligible worker training" means the training of a qualified employee or non-highly compensated worker
526 in the form of (i) credit or noncredit courses at any institution recognized on the Eligible Training Provider
527 List or at any Virginia public institution of higher education, as such term is defined in § 23.1-100, or as
528 described in §§ 23.1-3111, 23.1-3115, 23.1-3120, and 23.1-3125, that results in the qualified employee or
529 non-highly compensated worker receiving a workforce credential or (ii) instruction or training that is part of
530 an apprenticeship agreement approved by the Commissioner of Labor and Industry.

531 "Industry-recognized" means demonstrating competency or proficiency in the technical and occupational
532 skills identified as necessary for performing functions of an occupation based on standards developed or
533 endorsed by employers or industry organizations.

534 "Manufacturing" means processing, manufacturing, refining, mining, or converting products for sale or
535 resale.

536 "Non-highly compensated worker" means a worker whose income is less than Virginia's median wage, as
537 reported by the Virginia Employment Commission, in the taxable year prior to applying for the credit. "Non-
538 highly compensated worker" does not include an owner or relative.

539 "Owner" means an individual who owns, directly or indirectly, more than a five percent interest in the
540 business claiming the credit.

541 "Qualified employee" means an employee of a business eligible for a credit under this section in a full-
542 time position requiring a minimum of 1,680 hours in the entire normal year of the business' operations if the
543 standard fringe benefits are paid by the business for the employee. Employees in seasonal or temporary
544 positions shall not qualify as qualified employees. "Qualified employee" does not include an owner or
545 relative.

546 "Relative" means a spouse, child, grandchild, parent, or sibling of an owner.

547 "Workforce credential" means an industry-recognized (i) certification, (ii) certificate, or (iii) degree.

548 B. 1. For taxable years beginning on and after January 1, 2019, but prior to July 1, ~~2025~~ 2026, a business

549 shall be allowed a credit against the taxes imposed by Articles 2 (§ 58.1-320 et seq.), 6 (§ 58.1-360 et seq.),
 550 and 10 (§ 58.1-400 et seq.) of Chapter 3; Chapter 12 (§ 58.1-1200 et seq.); Article 1 (§ 58.1-2500 et seq.) of
 551 Chapter 25; or Article 2 (§ 58.1-2620 et seq.) of Chapter 26 in an amount equal to 35 percent of expenses
 552 incurred by the business during the taxable year for eligible worker training. If the recipient of the training is
 553 a qualified employee, the credit shall not exceed \$500 per qualified employee annually. If the recipient of the
 554 training is a non-highly compensated worker, the credit shall not exceed \$1,000 per non-highly compensated
 555 worker annually.

556 2. For taxable years beginning on and after January 1, 2019, but prior to ~~January 1, 2025~~ *July 1, 2026*, a
 557 business primarily engaged in manufacturing shall be allowed a credit against the taxes imposed by Articles 2
 558 (§ 58.1-320 et seq.) and 10 (§ 58.1-400 et seq.) in an amount equal to 35 percent of its direct costs incurred
 559 during the taxable year in conducting orientation, instruction, and training in the Commonwealth relating to
 560 the manufacturing activities undertaken by the business. In no event shall the credit allowed to a business
 561 under this subdivision exceed \$2,000 for any taxable year. The Department shall allow credit only for
 562 programs that (i) provide orientation, instruction, and training solely to students in grades six through 12; (ii)
 563 are coordinated with the local school division; and (iii) are conducted either at a plant or facility owned,
 564 leased, rented, or otherwise used by the business or at a public middle or high school in the Commonwealth.
 565 The taxpayer shall include in its direct costs only the following expenditures: (a) salaries or wages paid to
 566 instructors and trainers, prorated for the period of instruction or training; (b) costs for orientation, instruction,
 567 and training materials; (c) amounts paid for machinery and equipment used primarily for such instruction and
 568 training; and (d) the cost of leased or rented space used primarily for conducting the program.

569 3. The total amount of tax credits granted under this section for each fiscal year shall not exceed \$1
 570 million.

571 C. For purposes of this section, the amount of any credit attributable to a partnership, electing small
 572 business corporation (S corporation), or limited liability company shall be allocated to the individual partners,
 573 shareholders, or members, respectively, in proportion to their ownership or interest in such business entities.

574 D. 1. A business shall be allowed a credit pursuant to subdivision B 1 only for those programs and
 575 providers that have been approved for inclusion in the Commonwealth's Eligible Training Provider List. The
 576 Workforce Innovation Opportunity Act Title 1 Administrator shall provide the Tax Commissioner with the
 577 approved list annually.

578 2. A business shall be allowed the credit pursuant to subdivision B 2 only for an orientation, instruction,
 579 and training program that has been approved by the local school division and certified as eligible by the
 580 Department of Education. A business seeking a tax credit under subdivision B 2 shall include in its
 581 application reviewed by the Department of Education an approval from the local school division. The
 582 Department of Education shall review requests for certification submitted by businesses and shall advise the
 583 Tax Commissioner whether an orientation, instruction, and training program qualifies as relating to the
 584 manufacturing activities undertaken by the business and meets other applicable requirements.

585 3. The Tax Commissioner shall develop guidelines (i) establishing procedures for claiming the credit
 586 provided by this section and (ii) providing for the allocation of credits among businesses requesting credits in
 587 the event that the amount of credits for which requests are made exceeds the available amount of credits in
 588 any year. Such guidelines shall be exempt from the provisions of the Administrative Process Act (§ 2.2-4000
 589 et seq.).

590 E. Any credit not usable for the taxable year may be carried over for the next three taxable years. The
 591 amount of credit allowed pursuant to this section shall not exceed the tax imposed for such taxable year. No
 592 credit shall be carried back to a preceding taxable year. If a business that is subject to the tax limitation
 593 imposed pursuant to this subsection is allowed another credit pursuant to any other section of this Code, or
 594 has a credit carryover from a preceding taxable year, such business shall be considered to have first utilized
 595 any credit allowed that does not have a carryover provision, and then any credit which is carried forward
 596 from a preceding taxable year, prior to the utilization of any credit allowed pursuant to this section.

597 F. No business shall be eligible to claim a credit under this section for eligible worker training or
 598 manufacturing orientation, instruction, and training undertaken by any program operated, administered, or
 599 paid for by the Commonwealth.

600 G. The Tax Commissioner shall report annually to the Chairmen of the House Committee on Finance and
 601 the Senate Committee on Finance and Appropriations on the status and implementation of the credit
 602 established by this section.

603 **§ 58.1-439.7. Tax credit for purchase of machinery and equipment used for advanced recycling and**
 604 **processing recyclable materials.**

605 A. 1. For taxable years beginning on and after January 1, 1999, but before ~~January 1, 2025~~ *July 1, 2026*, a
 606 taxpayer shall be allowed a credit against the tax imposed pursuant to Articles 2 (§ 58.1-320 et seq.) and 10
 607 (§ 58.1-400 et seq.) of Chapter 3 of this title, in an amount equal to 20 percent of the purchase price paid
 608 during the taxable year for (i) machinery and equipment used predominantly in or on the premises of
 609 manufacturing facilities or plant units which manufacture, process, compound, or produce items of tangible

610 personal property from recyclable materials, within the Commonwealth, for sale and (ii) machinery and
 611 equipment used predominantly in or on the premises of facilities that are predominantly engaged in advanced
 612 recycling. For purposes of determining "purchase price paid" under this section, the taxpayer may use the
 613 original total capitalized cost of such machinery and equipment, less capitalized interest. For purposes of this
 614 section, "advanced recycling" means the operation of a single-stream or multi-stream recycling plant that
 615 converts waste materials into new materials for resale by processing them and breaking them down into their
 616 raw constituents. "Advanced recycling" includes the operation of a materials recovery facility or materials
 617 reclamation facility that receives, separates, and prepares recyclable materials for sale to end-user
 618 manufacturers.

619 2. The Department of Environmental Quality shall certify that such machinery and equipment are integral
 620 to the recycling process before the taxpayer shall be allowed the tax credit under this section. The taxpayer
 621 shall also submit purchase receipts and invoices as may be necessary to confirm the taxpayer's statement of
 622 purchase price paid, with the income tax return to verify the amount of purchase price paid for the recycling
 623 machinery and equipment.

624 3. No taxpayer shall be denied the credit under this section based solely on another person's use of the
 625 tangible personal property produced by the taxpayer, provided that the tangible personal property was sold by
 626 the taxpayer to an unaffiliated person in an arm's-length sale.

627 4. No credit shall be allowed under this section for machinery and equipment unless the machinery and
 628 equipment manufacture, process, compound, or produce items of tangible personal property from recyclable
 629 materials.

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

632 C. Any tax credit not used for the taxable year in which the purchase price on recycling machinery and
 633 equipment was paid may be carried over for credit against the taxpayer's income taxes in the 10 succeeding
 634 taxable years until the total credit amount is used.

635 D. The Department of Taxation shall administer the tax credits under this section. Beginning with credits
 636 allowable for taxable year 2015, in no case shall the Department issue more than \$2 million in tax credits
 637 pursuant to this section in any fiscal year of the Commonwealth. A taxpayer shall not be allowed to claim any
 638 tax credit unless it has applied to the Department of Environmental Quality for certification as described in
 639 subdivision A 2 and the Department of Environmental Quality has issued a written certification stating that
 640 the machinery and equipment purchased are integral to the recycling process. If the amount of tax credits
 641 approved under this section by the Department of Taxation for any taxable year exceeds \$2 million, the
 642 Department shall apportion the credits by dividing \$2 million by the total amount of tax credits so approved,
 643 to determine the percentage of otherwise allowed tax credits each taxpayer shall receive.

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

650 **§ 58.1-439.12:04. Tax credit for participating landlords.**

651 A. As used in this section, unless the context clearly shows otherwise, the term or phrase:

652 "Dwelling unit" means an individual housing unit in an apartment building, an individual housing unit in
 653 multifamily residential housing, a single-family residence, or any similar individual housing unit.

654 "Eligible census tract" means a census tract in Virginia in which less than 10 percent of the residents live
 655 below the poverty level, as defined by the United States government and determined by the most recent
 656 United States census.

657 "Eligible non-metropolitan census tract" means a census tract in Virginia that (i) is not in the Richmond
 658 Metropolitan Statistical Area, the Washington-Arlington-Alexandria Metropolitan Statistical Area, or the
 659 Virginia Beach-Norfolk-Newport News Metropolitan Area and (ii) in which less than 40 percent of the
 660 residents live below the poverty level, as defined by the United States government and determined by the
 661 most recent United States census.

662 "Housing authority" means a housing authority created under Article 1 (§ 36-1 et seq.) of Chapter 1 of
 663 Title 36 or other government agency that is authorized by the United States government under the United
 664 States Housing Act of 1937 (42 U.S.C. § 1437 et seq.) to administer a housing choice voucher program, or
 665 the authorized agent of such a housing authority that is authorized to act upon that authority's behalf. The
 666 term shall also include the Virginia Housing Development Authority.

667 "Housing choice voucher" means tenant-based assistance by a housing authority pursuant to 42 U.S.C. §
 668 1437f et seq.

669 "Participating landlord" means any person engaged in the business of the rental of dwelling units who is
 670 (i) subject to the Virginia Residential Landlord and Tenant Act (§ 55.1-1200 et seq.) and (ii) performing

671 obligations under a contract with a housing authority relating to the rental of qualified housing units.

672 "Qualified housing unit" means a dwelling unit that is located in either an eligible census tract or, for
 673 purposes of subdivision B 2, an eligible non-metropolitan census tract for which a portion of the rent is paid
 674 by a housing authority, which payment is pursuant to a housing choice voucher program.

675 B. 1. For taxable years beginning on or after January 1, 2010, but before ~~January~~ July 1, 2026, a
 676 participating landlord renting a qualified housing unit in an eligible census tract shall be eligible for a credit
 677 against the tax levied pursuant to § 58.1-320 or 58.1-400 in an amount equal to 10 percent of the fair market
 678 value of the rent for the unit, computed for that portion of the taxable year in which the unit was rented by
 679 such landlord to a tenant participating in a housing choice voucher program. The Department of Housing and
 680 Community Development shall administer and issue the tax credit under this section. If (i) the same parcel of
 681 real property contains four or more dwelling units and (ii) the total number of qualified housing units on the
 682 parcel in the relevant taxable year exceeds 25 percent of the total dwelling units on the parcel, then the tax
 683 credit under this section shall apply only to a limited number of qualified housing units with regard to such
 684 parcel of real property, with the limited number being equal to 25 percent of the total dwelling units on such
 685 parcel of real property in the taxable year.

686 2. For taxable years beginning on or after January 1, 2024, but before ~~January~~ July 1, 2026, a participating
 687 landlord renting a qualified housing unit in an eligible non-metropolitan census tract shall be eligible for a
 688 credit against the tax levied pursuant to § 58.1-320 or 58.1-400 in an amount equal to 10 percent of the fair
 689 market value of the rent for the unit, computed for that portion of the taxable year in which the unit was
 690 rented by such landlord to a tenant participating in a housing choice voucher program. The Department of
 691 Housing and Community Development shall administer and issue the tax credit under this section. If (i) the
 692 same parcel of real property contains four or more dwelling units and (ii) the total number of qualified
 693 housing units on the parcel in the relevant taxable year exceeds 25 percent of the total dwelling units on the
 694 parcel, then the tax credit under this section shall apply only to a limited number of qualified housing units
 695 with regard to such parcel of real property, with the limited number being equal to 25 percent of the total
 696 dwelling units on such parcel of real property in the taxable year.

697 C. The Department of Housing and Community Development shall issue tax credits under this section on
 698 a fiscal year basis. For fiscal years beginning before July 1, 2024, the maximum amount of tax credits that
 699 may be issued under this section in each fiscal year shall be \$250,000. For fiscal years beginning on and after
 700 July 1, 2024, (i) the maximum amount of tax credits that may be issued under subdivision B 1 in each fiscal
 701 year shall be \$400,000 and (ii) the maximum amount of tax credits that may be issued under subdivision B 2
 702 in each fiscal year shall be \$100,000.

703 D. Participating landlords shall apply to the Department of Housing and Community Development for tax
 704 credits under this section. The Department of Housing and Community Development shall determine the
 705 credit amount allowable to the participating landlord for the taxable year and shall also determine the fair
 706 market value of the rent for the qualified housing unit based on the fair market rent approved by the United
 707 States Department of Housing and Urban Development as the basis for the tenant-based assistance provided
 708 through the housing choice voucher program for the qualified housing unit. In issuing tax credits under this
 709 section, the Department of Housing and Community Development shall provide a written certification to the
 710 participating landlord, which certification shall report the amount of the tax credit approved by the
 711 Department. The participating landlord shall attach the certification to the applicable income tax return.

712 E. The Board of Housing and Community Development shall establish and issue guidelines for purposes
 713 of implementing the provisions of this section. The guidelines shall provide for the allocation of tax credits
 714 among participating landlords requesting credits. The guidelines shall be exempt from the Administrative
 715 Process Act (§ 2.2-4000 et seq.).

716 F. In no case shall the amount of credit taken by a participating landlord for any taxable year exceed the
 717 total amount of tax imposed by this chapter for the taxable year. If the amount of credit issued by the
 718 Department of Housing and Community Development for a taxable year exceeds the landlord's tax liability
 719 imposed by this chapter for such taxable year, then the amount that exceeds the tax liability may be carried
 720 over for credit against the income taxes of the participating landlord in the next five taxable years or until the
 721 total amount of the tax credit issued has been taken, whichever is sooner. Credits granted to a partnership,
 722 limited liability company, or electing small business corporation (S corporation) shall be allocated to the
 723 individual partners, members, or shareholders, respectively, in proportion to their ownership or interest in
 724 such business entities.

725 G. 1. For fiscal years beginning before July 1, 2024, in the event that the amount of the qualified requests
 726 for tax credits for participating landlords in the fiscal year exceeds \$250,000, the Department of Housing and
 727 Community Development shall prorate the tax credits among the qualified applicants.

728 2. For fiscal years beginning on and after July 1, 2024, in the event that the amount of the qualified
 729 requests for tax credits for participating landlords in the fiscal year exceeds \$500,000, the Department of
 730 Housing and Community Development shall prorate the tax credits among the qualified applicants.

731 **§ 58.1-439.12:05. Green and alternative energy job creation tax credit.**

732 A. For taxable years beginning on or after January 1, 2010, but before ~~January 1,~~ 2025 July 1, 2026, a

733 taxpayer shall be allowed a credit against the tax levied pursuant to § 58.1-320 or 58.1-400 for each new
 734 green job created within the Commonwealth by the taxpayer. The amount of the annual credit for each new
 735 green job shall be \$500 for each annual salary that is \$50,000 or more. The credit shall be first allowed for the
 736 taxable year in which the job has been filled for at least one year and for each of the four succeeding taxable
 737 years provided the job is continuously filled during the respective taxable year. Each taxpayer qualifying
 738 under this section shall be allowed the credit for up to 350 green jobs.

739 B. As used in this section:

740 "Green job" means employment in industries relating to the field of renewable, alternative energies,
 741 including the manufacture and operation of products used to generate electricity and other forms of energy
 742 from alternative sources that include hydrogen and fuel cell technology, landfill gas, methane extracted in
 743 Planning District 2, geothermal heating systems, solar heating systems, hydropower systems, wind systems,
 744 and biomass and biofuel systems. The Secretary of Commerce and Trade shall develop a detailed definition
 745 and list of jobs that qualify for the credit provided in this section and shall post them on his website.

746 "Job" means employment of an indefinite duration of an individual whose primary work activity is related
 747 directly to the field of renewable, alternative energies and for which the standard fringe benefits are paid by
 748 the taxpayer, requiring a minimum of either (i) 35 hours of an employee's time per week for the entire normal
 749 year of such taxpayer's operations, which "normal year" must consist of at least 48 weeks, or (ii) 1,680 hours
 750 per year. Positions created when a job function is shifted from an existing location in the Commonwealth
 751 shall not qualify as a job under this section.

752 C. To qualify for the tax credit provided in subsection A, a taxpayer shall demonstrate that the green job
 753 was created by the taxpayer, and that such job was continuously filled in the Commonwealth during the
 754 respective taxable year.

755 D. The amount of the credit that may be claimed in any single taxable year shall not exceed the taxpayer's
 756 liability for taxes imposed by this chapter for that taxable year. If the amount of credit allowed under this
 757 section exceeds the taxpayer's tax liability for the taxable year in which the green job was continuously filled,
 758 the amount that exceeds the tax liability may be carried over for credit against the income taxes of the
 759 taxpayer in the next five taxable years or until the total amount of the tax credit has been taken, whichever is
 760 sooner.

761 E. Credits granted to a partnership, limited liability company, or electing small business corporation (S
 762 corporation) shall be allocated to the individual partners, members, or shareholders, respectively, in
 763 proportion to their ownership or interest in such business entities.

764 F. If the taxpayer is eligible for the tax credits under this section and creates green jobs in an enterprise
 765 zone, as defined in § 59.1-539, such taxpayer may also qualify for the benefits under the Enterprise Zone
 766 Grant Program (§ 59.1-538 et seq.).

767 G. A taxpayer shall not be allowed a tax credit pursuant to this section for any green job for which the
 768 taxpayer is allowed (i) a major business facility job tax credit pursuant to § 58.1-439 or (ii) a federal tax
 769 credit for investments in manufacturing facilities for clean energy technologies that would foster investment
 770 and job creation in clean energy manufacturing.

771 **§ 58.1-439.12:08. Research and development expenses tax credit.**

772 A. As used in this section, unless the context requires a different meaning:

773 "Virginia base amount" means the base amount as defined in § 41(c) of the Internal Revenue Code, as
 774 amended, that is attributable to Virginia, determined by (i) substituting "Virginia qualified research and
 775 development expense" for "qualified research expense"; (ii) substituting "Virginia qualified research" for
 776 "qualified research"; and (iii) instead of "fixed base percentage," using:

777 1. The percentage that the Virginia qualified research and development expense for the three taxable years
 778 immediately preceding the current taxable year in which the expense is incurred is of the taxpayer's total
 779 gross receipts for such years; or

780 2. The percentage that the Virginia qualified research and development expense for the applicable number
 781 of taxable years immediately preceding the current taxable year in which the expense is incurred is of the
 782 taxpayer's total gross receipts for such years, for the taxpayer that has fewer than three but at least one prior
 783 taxable year.

784 "Virginia gross receipts" means the same as "gross receipts" as defined in § 58.1-3700.1.

785 "Virginia qualified research" means qualified research, as defined in § 41(d) of the Internal Revenue
 786 Code, as amended, that is conducted in the Commonwealth.

787 "Virginia qualified research and development expenses" means qualified research expenses, as defined in
 788 § 41(b) of the Internal Revenue Code, as amended, incurred for Virginia qualified research.

789 B. 1. For taxable years beginning on or after January 1, 2011, but before January 1, 2021, a taxpayer shall
 790 be allowed a credit against the tax levied pursuant to § 58.1-320 or 58.1-400 in an amount equal to (i) 15
 791 percent of the first \$300,000 in Virginia qualified research and development expenses paid or incurred by the
 792 taxpayer during the taxable year or (ii) 20 percent of the first \$300,000 in Virginia qualified research and
 793 development expenses paid or incurred by the taxpayer during the taxable year if the Virginia qualified

794 research was conducted in conjunction with a public or private institution of higher education in the
795 Commonwealth, to the extent the expenses exceed the Virginia base amount for the taxpayer.

796 2. For taxable years beginning on or after January 1, 2021, but before ~~January 1, 2025~~ *July 1, 2026*, a
797 taxpayer shall be allowed a credit against the tax levied pursuant to § 58.1-320, 58.1-400, or 58.1-1202 in an
798 amount equal to (i) 15 percent of the first \$300,000 in Virginia qualified research and development expenses
799 paid or incurred by the taxpayer during the taxable year or (ii) 20 percent of the first \$300,000 in Virginia
800 qualified research and development expenses paid or incurred by the taxpayer during the taxable year if the
801 Virginia qualified research was conducted in conjunction with a public or private institution of higher
802 education in the Commonwealth, to the extent the expenses exceed the Virginia base amount for the taxpayer.

803 C. 1. Effective for taxable years beginning on or after January 1, 2016, at the election of the taxpayer, the
804 credit otherwise allowed under this section shall be computed under this subsection and shall equal 10
805 percent of the difference of (i) the Virginia qualified research and development expenses paid or incurred by
806 the taxpayer during the taxable year and (ii) 50 percent of the average Virginia qualified research and
807 development expenses paid or incurred by the taxpayer for the three taxable years immediately preceding the
808 taxable year for which the credit is being determined. If the taxpayer did not pay or incur Virginia qualified
809 research and development expenses in any one of the three taxable years immediately preceding the taxable
810 year for which the credit is being determined, the tax credit shall equal five percent of the Virginia qualified
811 research and development expenses paid or incurred by the taxpayer during the relevant taxable year.

812 2. The aggregate amount of credits allowed to each taxpayer under this subsection shall not exceed
813 \$45,000 for the taxable year, except that the aggregate amount of credits allowed to each taxpayer shall not
814 exceed \$60,000 for the taxable year if the Virginia qualified research was conducted in conjunction with a
815 public institution of higher education in the Commonwealth or a private institution of higher education in the
816 Commonwealth.

817 D. The aggregate amount of credits available under this section for each fiscal year of the Commonwealth
818 shall be as follows:

819 1. For taxable years beginning on and after January 1, 2014, but before January 1, 2016, the total amount
820 of credits granted for each of fiscal years 2015 and 2016 shall not exceed \$6 million.

821 2. For taxable years beginning on and after January 1, 2016, but before January 1, 2021, the total amount
822 of credits granted for each fiscal year of the Commonwealth beginning with fiscal year 2017 shall not exceed
823 \$7 million.

824 3. For taxable years beginning on and after January 1, 2021, but before January 1, 2023, the total amount
825 of credits granted for each fiscal year of the Commonwealth beginning with fiscal year 2022 shall not exceed
826 \$7.77 million.

827 4. For taxable years beginning on and after January 1, 2023, the total amount of credits granted for each
828 fiscal year of the Commonwealth beginning with fiscal year 2024 shall not exceed \$15.77 million.

829 E. A taxpayer meeting the requirements of this section shall be eligible to receive a tax credit as provided
830 herein. The Department shall develop and publish guidelines for applications and such guidelines shall be
831 exempt from the Administrative Process Act (§ 2.2-4000 et seq.). Applications must be received by the
832 Department no later than September 1 of the calendar year following the close of the taxable year in which
833 the expenses were paid or incurred. In the event that approved applications for the tax credits allowed under
834 this section exceed the amount of credits specified in subsection D for the taxable year, the Department shall
835 apportion the credits by dividing the amount of credits specified in subsection D by the total amount of tax
836 credits approved, to determine the percentage of allowed tax credits each taxpayer shall receive. In the event
837 that the total amount of approved tax credits under this section for all applications for any taxable year is less
838 than the maximum amount of credits for the year as specified in subsection D, the Department shall allocate
839 credits up to the maximum amount as specified in subsection D, on a pro rata basis, to taxpayers who are
840 already approved for the tax credit for the taxable year, in the following amounts:

841 1. If the taxpayer computed the credit pursuant to subsection B, in an amount equal to 15 percent of the
842 second \$300,000 in qualified research expenses during the taxable year or 20 percent of the second \$300,000
843 in qualified research expenses if the Virginia qualified research was conducted in conjunction with a public
844 institution of higher education in the Commonwealth or a private institution of higher education in the
845 Commonwealth; or

846 2. If the taxpayer computed the credit under subdivision C 1, in an amount equal to the excess of the
847 limitation set forth in subdivision C 2, up to an additional \$45,000 per taxpayer, or \$60,000 per taxpayer if
848 the Virginia qualified research was conducted in conjunction with a public institution of higher education in
849 the Commonwealth or a private institution of higher education in the Commonwealth.

850 F. If the amount of the credit allowed exceeds the taxpayer's tax liability for the taxable year, the amount
851 that exceeds the tax liability shall be refunded to the taxpayer, subject to the limitations set forth in the
852 guidelines developed by the Department.

853 G. Any taxpayer who claims the tax credit for Virginia qualified research and development expenses
854 pursuant to this section shall not use such expenses as the basis for claiming any other credit provided under

855 the Code of Virginia.

856 H. Effective for taxable years beginning on or after January 1, 2016, no taxpayer with Virginia qualified
857 research and development expenses in excess of \$5 million for the taxable year shall claim both the credit
858 allowed pursuant to this section and the credit allowed under § 58.1-439.12:11 for such year.

859 I. Credits granted to a partnership, limited liability company, or electing small business corporation (S
860 corporation) shall be allocated to the individual partners, members, or shareholders, respectively, in
861 proportion to their ownership interests in such entities or in accordance with a written agreement entered into
862 by such individual partners, members, or shareholders, unless the partnership, limited liability company, or
863 electing small business corporation (S corporation) elects for such credits not to be so allocated but to be
864 received and claimed at the entity level by the partnership, limited liability company, or electing small
865 business corporation (S corporation) pursuant to guidelines that shall be issued by the Department for
866 purposes of such election.

867 J. The Department shall adopt guidelines to prescribe standards for determining when research and
868 development is considered conducted in the Commonwealth for purposes of allowing the credit under this
869 section. In adopting guidelines, the Department may consider (i) the location where the research and
870 development is performed; (ii) the residence or business location of the taxpayer or taxpayers conducting the
871 research and development; (iii) the location where supplies used in the research and development are
872 consumed; and (iv) any other factors that the Department deems to be relevant.

873 K. The Tax Commissioner's annual report to the Governor on revenue collections by tax source shall
874 include (i) the total number of applicants approved for tax credits pursuant to this section for the applicable
875 tax year and (ii) the total amount of such tax credits approved for the applicable tax year.

876 L. The Department shall require taxpayers applying for the credit to provide information including (i) the
877 number of full-time employees employed by the taxpayer in the Commonwealth during the taxable year for
878 which the credit is sought; (ii) the taxpayer's sector or sectors according to the 2012 edition of the North
879 American Industry Classification System (NAICS) as published by the United States Census Bureau; (iii) a
880 brief description of the area, discipline, or field of Virginia qualified research performed by the taxpayer; (iv)
881 the total gross receipts or anticipated total gross receipts of the taxpayer for the taxable year for which the
882 credit is sought; and (v) whether the Virginia qualified research was conducted in conjunction with a Virginia
883 public or private college or university. The Department shall aggregate and summarize the information
884 collected and make it available to the Governor and any member of the General Assembly upon request,
885 regardless of the number of taxpayers applying for the credit.

886 M. No tax credit shall be allowed pursuant to this section if the otherwise qualified research and
887 development expenses are paid for or incurred by a taxpayer for research conducted in the Commonwealth on
888 human cells or tissue derived from induced abortions or from stem cells obtained from human embryos. The
889 foregoing provision shall not apply to research conducted using stem cells other than embryonic stem cells.

890 **§ 58.1-439.12:11. Major research and development expenses tax credit.**

891 A. As used in this section, unless the context requires a different meaning:

892 "Virginia qualified research" means qualified research, as defined in § 41(d) of the Internal Revenue
893 Code, as amended, that is conducted in the Commonwealth.

894 "Virginia qualified research and development expenses" means qualified research expenses, as defined in
895 § 41(b) of the Internal Revenue Code, as amended, incurred for Virginia qualified research.

896 B. 1. For taxable years beginning on or after January 1, 2016, but before January 1, 2021, a taxpayer with
897 Virginia qualified research and development expenses for the taxable year in excess of \$5 million shall be
898 allowed a credit against the tax levied pursuant to § 58.1-320 or 58.1-400 in an amount equal to 10 percent of
899 the difference between (i) the Virginia qualified research and development expenses paid or incurred by the
900 taxpayer during the taxable year and (ii) 50 percent of the average Virginia qualified research and
901 development expenses paid or incurred by the taxpayer for the three taxable years immediately preceding the
902 taxable year for which the credit is being determined. If the taxpayer did not pay or incur Virginia qualified
903 research and development expenses in any one of the three taxable years immediately preceding the taxable
904 year for which the credit is being determined, the tax credit shall equal five percent of the Virginia qualified
905 research and development expenses paid or incurred by the taxpayer during the relevant taxable year.

906 2. For taxable years beginning on or after January 1, 2021, but before January 1, 2023, a taxpayer with
907 Virginia qualified research and development expenses for the taxable year in excess of \$5 million shall be
908 allowed a credit against the tax levied pursuant to § 58.1-320, 58.1-400, or 58.1-1202 in an amount equal to
909 10 percent of the difference between (i) the Virginia qualified research and development expenses paid or
910 incurred by the taxpayer during the taxable year and (ii) 50 percent of the average Virginia qualified research
911 and development expenses paid or incurred by the taxpayer for the three taxable years immediately preceding
912 the taxable year for which the credit is being determined. If the taxpayer did not pay or incur Virginia
913 qualified research and development expenses in any one of the three taxable years immediately preceding the
914 taxable year for which the credit is being determined, the tax credit shall equal five percent of the Virginia
915 qualified research and development expenses paid or incurred by the taxpayer during the relevant taxable

916 year.

917 3. For taxable years beginning on or after January 1, 2023, but before ~~January 1, 2025~~ *July 1, 2026*, a
918 taxpayer with Virginia qualified research and development expenses for the taxable year in excess of \$5
919 million shall be allowed a credit against the tax levied pursuant to § 58.1-320, 58.1-400, or 58.1-1202 in an
920 amount equal to:

921 a. Ten percent, up to the first \$1 million, of the difference between (i) Virginia qualified research and
922 development expenses paid or incurred by the taxpayer during the taxable year and (ii) 50 percent of the
923 average Virginia qualified research and development expenses paid or incurred by the taxpayer for the three
924 taxable years immediately preceding the taxable year for which the credit is being determined.

925 b. Five percent of the difference in excess of \$1 million between (i) any Virginia qualified research and
926 development expenses paid or incurred by the taxpayer during the taxable year and (ii) 50 percent of the
927 average Virginia qualified research and development expenses paid or incurred by the taxpayer for the three
928 taxable years immediately preceding the taxable year for which the credit is being determined.

929 If the taxpayer did not pay or incur Virginia qualified research and development expenses in any one of
930 the three taxable years immediately preceding the taxable year for which the credit is being determined, the
931 tax credit shall equal five percent of the Virginia qualified research and development expenses paid or
932 incurred by the taxpayer during the relevant taxable year.

933 The aggregate amount of credits allowed to each taxpayer under this subdivision 3 shall not exceed
934 \$300,000 for the taxable year, except that the aggregate amount of credits allowed to each taxpayer shall not
935 exceed \$400,000 for the taxable year if the Virginia qualified research was conducted in conjunction with a
936 public institution of higher education in the Commonwealth or a private institution of higher education in the
937 Commonwealth.

938 C. 1. For taxable years beginning before January 1, 2021, the aggregate amount of credits granted for each
939 fiscal year of the Commonwealth pursuant to this section shall not exceed \$20 million.

940 2. For taxable years beginning on and after January 1, 2021, but before January 1, 2023, the aggregate
941 amount of credits granted for each fiscal year of the Commonwealth pursuant to this section shall not exceed
942 \$24 million.

943 3. For taxable years beginning on or after January 1, 2023, the aggregate amount of credits granted for
944 each fiscal year of the Commonwealth pursuant to this section shall not exceed \$16 million.

945 D. In the event that approved applications for the tax credits allowed under this section exceed the limit
946 described in subsection C for any taxable year, the Department shall apportion the credits by dividing such
947 limit by the total amount of tax credits approved, to determine the percentage of allowed tax credits each
948 taxpayer shall receive.

949 E. The amount of the credit claimed for the taxable year shall not exceed 75 percent of the total amount of
950 tax imposed by this chapter upon the taxpayer for the taxable year. Any credit not usable for the taxable year
951 for which the credit was first allowed may be carried over for credit against the income taxes of the taxpayer
952 in the next 10 succeeding taxable years or until the total amount of the tax credit has been taken, whichever is
953 sooner.

954 F. Any taxpayer who claims the tax credit for Virginia qualified research and development expenses
955 pursuant to this section shall not use such expenses as the basis for claiming any other credit provided under
956 the Code of Virginia.

957 G. Credits granted to a partnership, limited liability company, or electing small business corporation (S
958 corporation) shall be allocated to the individual partners, members, or shareholders, respectively, in
959 proportion to their ownership interests in such entities or in accordance with a written agreement entered into
960 by such individual partners, members, or shareholders.

961 H. The Department shall develop and publish guidelines under this section including guidelines for
962 applying for the tax credit. Such guidelines shall be exempt from the Administrative Process Act (§ 2.2-4000
963 et seq.). Applications for the tax credit must be received by the Department no later than September 1 of the
964 calendar year following the close of the taxable year in which the expenses were paid or incurred.

965 The Department shall also adopt guidelines to prescribe standards for determining when research and
966 development is considered conducted in the Commonwealth for purposes of allowing the credit under this
967 section. In adopting guidelines, the Department may consider (i) the location where the research and
968 development is performed; (ii) the residence or business location of the taxpayer or taxpayers conducting the
969 research and development; (iii) the location where supplies used in the research and development are
970 consumed; and (iv) any other factors that the Department deems to be relevant.

971 I. No tax credit shall be allowed pursuant to this section, if the otherwise qualified research and
972 development expenses are paid for or incurred by a taxpayer for research conducted in the Commonwealth on
973 human cells or tissue derived from induced abortions or from stem cells obtained from human embryos. The
974 foregoing provision shall not apply to research conducted using stem cells other than embryonic stem cells.

975 **§ 58.1-439.30. Virginia housing opportunity tax credit.**

976 A. Subject to the provisions of subsection H, a housing opportunity tax credit shall be allowed for each

977 qualified project for each year of the credit period, in an amount up to the amount of federal low-income
 978 housing tax credit allocated or allowed by the Authority to such qualified project. The credit shall be allowed
 979 ratably for each qualified project, with one-tenth of the credit amount allowed annually for 10 years over the
 980 credit period, except that there shall be a reduction in the tax credit allowable in the first year of the credit
 981 period due to the calculation in 26 U.S.C. § 42(f)(2) and any reduction by reason of 26 U.S.C. § 42(f)(2) in
 982 the credit allowable for the first taxable year of the credit period shall be allowable for the first taxable year
 983 following the credit period.

984 B. 1. For taxable years beginning on and after January 1, 2021, but before ~~January~~ July 1, 2026, a
 985 qualified taxpayer may claim a housing opportunity tax credit against its Virginia tax liability prior to
 986 reduction by any other credits allowed the taxpayer. The housing opportunity tax credit may be allocated by
 987 pass-through entities to some or all of its partners, members, or shareholders in any manner agreed to by such
 988 persons, regardless of whether or not any such person is allocated or allowed any portion of any federal
 989 low-income housing tax credit with respect to the qualified project, whether or not the allocation of the
 990 housing opportunity tax credit under the terms of the agreement has substantial economic effect within the
 991 meaning of § 704(b) of the Internal Revenue Code, and whether any such person is deemed a partner for
 992 federal income tax purposes as long as the partner or member would be considered a partner or member as
 993 defined under applicable state law, and has been admitted as a partner or member on or prior to the date for
 994 filing the qualified taxpayer's tax return, including any amendments thereto, with respect to the year of the
 995 housing opportunity tax credit. Such pass-through entities or qualified taxpayer may assign all or any part of
 996 its interest, including its interest in the tax credits, to one or more pass-through entities or qualified taxpayers,
 997 and the qualified taxpayer shall be able to claim the housing opportunity tax credit so long as its interest is
 998 acquired prior to the filing of its tax return claiming the housing opportunity tax credit.

999 2. If a housing opportunity tax credit has been awarded according to the terms of subsection G prior to
 1000 ~~January~~ July 1, 2026, such credit may continue to be claimed on a return for taxable years on and after
 1001 ~~January~~ July 1, 2026, but only pursuant to the applicable credit period specified in § 58.1-439.29.

1002 C. The housing opportunity tax credit authorized by this article shall not be refundable. Any housing
 1003 opportunity tax credit not used in a taxable year may be carried forward by a qualified taxpayer for the
 1004 succeeding five years.

1005 D. A qualified taxpayer claiming a housing opportunity tax credit shall submit a copy of the eligibility
 1006 certificate at the time of filing its tax return with the Department. If the owner of the qualified project has
 1007 applied to the Authority for the eligibility certificate but the Authority has not yet issued the eligibility
 1008 certificate at the time the qualified taxpayer files its original tax return claiming the housing opportunity tax
 1009 credit, the taxpayer may claim the housing opportunity tax credit based upon the amount of tax credit set
 1010 forth in the award letter issued by the Authority for the housing opportunity tax credit issued to the qualified
 1011 project and shall amend its tax return to include the eligibility certificate upon its receipt. If the amount of tax
 1012 credit in the eligibility certificate is different than the amount of tax credit previously claimed, the taxpayer
 1013 shall adjust the tax credit amount claimed on the amended tax return.

1014 E. If under § 42 of the Internal Revenue Code, as amended, a portion of any federal low-income housing
 1015 credits taken on a qualified project is required to be recaptured or is otherwise disallowed during the credit
 1016 period, the taxpayer claiming housing opportunity tax credits with respect to such project shall also be
 1017 required to recapture a portion of any tax credits authorized by this article. The percentage of housing
 1018 opportunity tax credits subject to recapture shall be equal to the percentage of federal low-income housing
 1019 credits subject to recapture or otherwise disallowed during such period. Any tax credits recaptured or
 1020 disallowed shall increase the income tax liability of the qualified taxpayer who claimed the tax credits in a
 1021 like amount and shall be included on the tax return of the qualified taxpayer submitted for the taxable year in
 1022 which the recapture or disallowance event is identified. The balance of any tax credits recaptured or
 1023 disallowed shall be allocated by the Authority for any qualified project in accordance with subsection G.

1024 F. The Authority shall administer the housing opportunity tax credit program and shall be authorized to
 1025 promulgate the regulations and guidelines necessary to implement and administer this article. Such
 1026 regulations and guidelines may include the imposition of application, allocation, certification, and monitoring
 1027 fees designed to recoup the costs of the Authority in administering the housing opportunity tax credit
 1028 program.

1029 G. 1. Any housing opportunity tax credit amounts authorized in a calendar year that are subsequently (i)
 1030 canceled and returned to the Authority or (ii) recaptured or disallowed pursuant to subsection E may be
 1031 awarded in the following calendar year, but no later than December 31, 2025. If the amount of housing
 1032 opportunity tax credits authorized in a calendar year for qualified projects is less than the total amount of
 1033 credits available for qualified projects under subdivision H 2, the balance of such credits, in an amount not
 1034 greater than 15 percent of the amount of credits available for qualified projects under subdivision H 2, (a)
 1035 shall be allocated by the Authority for any qualified project in the following calendar year, (b) shall not be
 1036 allocated at any time after such following calendar year, and (c) shall be allocated no later than December 31,
 1037 2025.

1038 2. Such housing opportunity tax credits issued pursuant to this subsection shall be allowed ratably, with

1039 one-tenth of the total amount of credits allowed annually for 10 years over the credit period, except that there
1040 shall be a reduction in the tax credit allowable in the first year of the credit period due to the calculation in 26
1041 U.S.C. § 42(f)(2) and any reduction by reason of 26 U.S.C. § 42(f)(2) in the credit allowable for the first
1042 taxable year of the credit period shall be allowable for the first taxable year following the credit period.

1043 H. 1. The total amount of housing opportunity tax credits authorized for qualified projects under this
1044 article shall not exceed \$15 million for calendar year 2021.

1045 2. For calendar years 2022 through ~~2025~~ 2026, the total amount of housing opportunity tax credits
1046 authorized for qualified projects under this article shall not exceed \$60 million per calendar year. Such credits
1047 issued each calendar year shall be allowed ratably, with one-tenth of the total amount of credits allowed
1048 annually for 10 years over the credit period, except that there shall be a reduction in the tax credit allowable
1049 in the first year of the credit period due to the calculation in 26 U.S.C. § 42(f)(2) and any reduction by reason
1050 of 26 U.S.C. § 42(f)(2) in the credit allowable for the first taxable year of the credit period shall be allowable
1051 for the first taxable year following the credit period.

1052 3. Notwithstanding any other provision of law to the contrary, the aggregate amount of housing
1053 opportunity tax credits authorized for all qualified projects under this article shall not exceed \$255 million
1054 across all calendar years.

1055 I. Notwithstanding any provision of law or regulation to the contrary, only Virginia housing opportunity
1056 tax credits awarded in calendar year 2021, up to a maximum of \$15 million total for all taxpayers in all
1057 taxable years, may be claimed pursuant to the provisions of this section as set forth in Chapter 495 of the Acts
1058 of Assembly of 2021, Special Session I, prior to its amendment by the ninth enactment of Chapter 2 of the
1059 Acts of Assembly of 2022, Special Session I.

1060 J. The Authority shall, upon request from the Chairs of the House Committee on Appropriations, the
1061 House Committee on Finance, and the Senate Committee on Finance and Appropriations, provide
1062 information, data, and any other requested advisement on the potential structure and cost of a separately
1063 authorized certificated Virginia housing opportunity tax credit program that would allow a qualified project
1064 to sell all or any portion of its Virginia housing opportunity tax credits, to one or more unrelated taxpayers
1065 based on findings in the report of the Department of Housing and Community Development and the
1066 Authority stakeholder advisory group submitted pursuant to Chapter 517 of the Acts of Assembly of 2020.

1067 K. Of the \$60 million of Virginia housing opportunity tax credits authorized per calendar year from 2022
1068 through 2025 for qualified projects by the Authority pursuant to this article, \$20 million of such credits shall
1069 be first allocated exclusively for qualified projects located in a locality with a population no greater than
1070 35,000 as determined by the most recent United States census. Such allocation of Virginia housing
1071 opportunity tax credits shall constitute the minimum amount of such tax credits to be allocated for qualified
1072 projects in such localities. However, if the amount of such tax credits requested for qualified projects in such
1073 localities is less than the total amount of such credits available for qualified projects in such localities, the
1074 balance of such credits shall be allocated for any qualified project, regardless of location. In allocating or
1075 allowing such credits to qualified projects in such localities, the Authority shall give equal consideration to
1076 qualified projects allocated or allowed a federal low-income housing credit in an amount equal to the 10-year
1077 present value calculation of the percentages prescribed under 26 U.S.C. §§ 42(b)(1)(B)(i) and 42(b)(1)(B)(ii).

1078 **§ 58.1-609.1. Governmental and commodities exemptions.**

1079 The tax imposed by this chapter or pursuant to the authority granted in §§ 58.1-605 and 58.1-606 shall not
1080 apply to the following:

1081 1. Fuels which are subject to the tax imposed by Chapter 22 (§ 58.1-2200 et seq.). Persons who are
1082 refunded any such fuel tax shall, however, be subject to the tax imposed by this chapter, unless such taxes
1083 would be specifically exempted pursuant to any provision of this section.

1084 2. Motor vehicles, trailers, semitrailers, mobile homes and travel trailers.

1085 3. Gas, electricity, or water when delivered to consumers through mains, lines, or pipes.

1086 4. Tangible personal property for use or consumption by the Commonwealth, any political subdivision of
1087 the Commonwealth, or the United States. This exclusion shall not apply to sales and leases to privately
1088 owned financial and other privately owned corporations chartered by the United States. Further, this
1089 exemption shall not apply to tangible personal property which is acquired by the Commonwealth or any of its
1090 political subdivisions and then transferred to private businesses for their use in a facility or real property
1091 improvement to be used by a private entity or for nongovernmental purposes other than tangible personal
1092 property acquired by the Herbert H. Bateman Advanced Shipbuilding and Carrier Integration Center and
1093 transferred to a Qualified Shipbuilder as defined in the third enactment of Chapter 790 of the 1998 Acts of the
1094 General Assembly.

1095 5. Aircraft subject to tax under Chapter 15 (§ 58.1-1500 et seq.).

1096 6. a. Motor fuels and alternative fuels for use in a commercial watercraft, as defined in § 58.1-2201, upon
1097 which a fuel tax is refunded pursuant to § 58.1-2259.

1098 b. Fuels transactions upon which a fuel tax is refunded pursuant to subdivision A 22 of § 58.1-2259.

1099 7. Sales by a government agency of the official flags of the United States, the Commonwealth of Virginia,

- 1100 or of any county, city or town.
- 1101 8. Materials furnished by the State Board of Elections pursuant to §§ 24.2-404 through 24.2-407.
- 1102 9. Watercraft as defined in § 58.1-1401.
- 1103 10. Tangible personal property used in and about a marine terminal under the supervision of the Virginia
- 1104 Port Authority for handling cargo, merchandise, freight and equipment. This exemption shall apply to agents,
- 1105 lessees, sublessees or users of tangible personal property owned by or leased to the Virginia Port Authority
- 1106 and to property acquired or used by the Authority or by a nonstock, nonprofit corporation that operates a
- 1107 marine terminal or terminals on behalf of the Authority.
- 1108 11. Sales by prisoners confined in state correctional facilities of artistic products personally made by the
- 1109 prisoners as authorized by § 53.1-46.
- 1110 12. Tangible personal property for use or consumption by the Virginia Department for the Blind and
- 1111 Vision Impaired or any nominee, as defined in § 51.5-60, of such Department.
- 1112 13. [Expired.]
- 1113 14. Tangible personal property sold to residents and patients of the Virginia Veterans Care Center at a
- 1114 canteen operated by the Department of Veterans Services.
- 1115 15. Tangible personal property for use or consumption by any nonprofit organization whose members
- 1116 include the Commonwealth and other states and which is organized for the purpose of fostering interstate
- 1117 cooperation and excellence in government.
- 1118 16. Tangible personal property purchased for use or consumption by any soil and conservation district
- 1119 which is organized in accordance with the provisions of Article 3 (§ 10.1-506 et seq.) of Chapter 5 of Title
- 1120 10.1.
- 1120 17. Tangible personal property sold or leased to Alexandria Transit Company, Greater Lynchburg Transit
- 1121 Company, GRTC Transit System, or Greater Roanoke Transit Company, or to any other transit company that
- 1122 is owned, operated, or controlled by any county, city, or town, or any combination thereof, that provides
- 1123 public transportation services, and/or tangible personal property sold or leased to any county, city, or town, or
- 1124 any combination thereof, that is transferred to any of the companies set forth in this subdivision owned,
- 1125 operated, or controlled by any county, city, or town, or any combination thereof, that provides public
- 1126 transportation services.
- 1127 18. [Expired.]
- 1128 19. Effective through June 30, ~~2025~~ 2026, gold, silver, or platinum bullion or legal tender coins. "Gold,
- 1129 silver, or platinum bullion" means gold, silver, or platinum, and any combination thereof, that has gone
- 1130 through a refining process and is in a state or condition such that its value depends on its mass and purity and
- 1131 not on its form, numismatic value, or other value. Gold, silver, or platinum bullion may contain other metals
- 1132 or substances, provided that the other substances by themselves have minimal value compared with the value
- 1133 of the gold, silver, or platinum. "Legal tender coins" means coins of any metal content issued by a
- 1134 government as a medium of exchange or payment of debts. "Gold, silver, or platinum bullion" and "legal
- 1135 tender coins" do not include jewelry or works of art.
- 1136 20. Tangible personal property sold by a sheriff at a correctional facility pursuant to § 53.1-127.1 and
- 1137 sales of prepared food within such correctional facility.
- 1138 **§ 58.1-609.6. Media-related exemptions.**
- 1139 The tax imposed by this chapter or pursuant to the authority granted in §§ 58.1-605 and 58.1-606 shall not
- 1140 apply to the following:
- 1141 1. Leasing, renting or licensing of copyright audio or video tapes, and films for public exhibition at
- 1142 motion picture theaters or by licensed radio and television stations.
- 1143 2. (i) Broadcasting equipment and parts and accessories thereto and towers used or to be used by
- 1144 commercial radio and television companies, wired or land-based wireless cable television systems, common
- 1145 carriers or video programmers using an open video system or other video platform provided by telephone
- 1146 common carriers, or concerns that are under the regulation and supervision of the Federal Communications
- 1147 Commission and (ii) amplification, transmission, distribution, and network equipment used or to be used by
- 1148 wired or land-based wireless (a) cable television systems, (b) open video systems, or (c) telephone common
- 1149 carriers.
- 1150 3. Any publication issued daily, or regularly at average intervals not exceeding three months, and
- 1151 advertising supplements and any other printed matter ultimately distributed with or as part of such
- 1152 publications; however, newsstand sales of the same are taxable. As used in this subdivision, the term
- 1153 "newsstand sales" shall not include sales of back copies of publications by the publisher or his agent.
- 1154 4. Catalogs, letters, brochures, reports, and similar printed materials, except administrative supplies, the
- 1155 envelopes, containers, and labels used for packaging and mailing same, and paper furnished to a printer for
- 1156 fabrication into such printed materials, when stored for 12 months or less in the Commonwealth and
- 1157 distributed for use without the Commonwealth. As used in this subdivision, "administrative supplies"
- 1158 includes, but is not limited to, letterhead, envelopes, and other stationery; and invoices, billing forms, payroll
- 1159 forms, price lists, time cards, computer cards, and similar supplies. Notwithstanding the provisions of

1160 subdivision 5 or the definition of "advertising" contained in § 58.1-602, (i) any advertising business located
1161 outside the Commonwealth which purchases printing from a printer within the Commonwealth shall not be
1162 deemed the user or consumer of the printed materials when such purchases would have been exempt under
1163 this subdivision, and (ii) from July 1, 1995, through June 30, 2002, and beginning July 1, 2002, and ending
1164 July 1, ~~2025~~ 2026, any advertising business which purchases printing from a printer within the
1165 Commonwealth shall not be deemed the user or consumer of the printed materials when such purchases
1166 would have been exempt under subdivision 3 or this subdivision, provided that the advertising agency shall
1167 certify to the Tax Commissioner, upon request, that such printed material was distributed outside the
1168 Commonwealth and such certification shall be retained as a part of the transaction record and shall be subject
1169 to further review by the Tax Commissioner.

1170 5. Advertising as defined in § 58.1-602.

1171 6. Beginning July 1, 1995, and ending July 1, 2027:

1172 a. (i) The lease, rental, license, sale, other transfer, or use of any audio or video tape, film or other
1173 audiovisual work where the transferee or user acquires or has acquired the work for the purpose of licensing,
1174 distributing, broadcasting, commercially exhibiting or reproducing the work or using or incorporating the
1175 work into another such work; (ii) the provision of production services or fabrication in connection with the
1176 production of any portion of such audiovisual work, including, but not limited to, scriptwriting, photography,
1177 sound, musical composition, special effects, animation, adaptation, dubbing, mixing, editing, cutting and
1178 provision of production facilities or equipment; or (iii) the transfer or use of tangible personal property,
1179 including, but not limited to, scripts, musical scores, storyboards, artwork, film, tapes and other media,
1180 incident to the performance of such services or fabrication; however, audiovisual works and incidental
1181 tangible personal property described in clauses (i) and (iii) shall be subject to tax as otherwise provided in
1182 this chapter to the extent of the value of their tangible components prior to their use in the production of any
1183 audiovisual work and prior to their enhancement by any production service; and

1184 b. Equipment and parts and accessories thereto used or to be used in the production of such audiovisual
1185 works.

1186 7. Beginning July 1, 1998, and ending July 1, 2022, textbooks and other educational materials withdrawn
1187 from inventory at book-publishing distribution facilities for free distribution to professors and other
1188 individuals who have an educational focus.

1189 **§ 58.1-609.10. Miscellaneous exemptions.**

1190 The tax imposed by this chapter or pursuant to the authority granted in §§ 58.1-605 and 58.1-606 shall not
1191 apply to the following:

1192 1. Artificial or propane gas, firewood, coal or home heating oil used for domestic consumption. "Domestic
1193 consumption" means the use of artificial or propane gas, firewood, coal or home heating oil by an individual
1194 purchaser for other than business, commercial or industrial purposes. The Tax Commissioner shall establish
1195 by regulation a system for use by dealers in classifying individual purchases for domestic or nondomestic use
1196 based on the principal usage of such gas, wood, coal or oil. Any person making a nondomestic purchase and
1197 paying the tax pursuant to this chapter who uses any portion of such purchase for domestic use may, between
1198 the first day of the first month and the fifteenth day of the fourth month following the year of purchase, apply
1199 for a refund of the tax paid on the domestic use portion.

1200 2. An occasional sale, as defined in § 58.1-602. A nonprofit organization that is eligible to be granted an
1201 exemption on its purchases pursuant to § 58.1-609.11, and that is otherwise eligible for the exemption
1202 pursuant to this subdivision, shall be exempt pursuant to this subdivision on its sales of (i) food, prepared
1203 food and meals and (ii) tickets to events that include the provision of food, prepared food and meals, so long
1204 as such sales take place on fewer than 24 occasions in a calendar year.

1205 3. Tangible personal property for future use by a person for taxable lease or rental as an established
1206 business or part of an established business, or incidental or germane to such business, including a
1207 simultaneous purchase and taxable leaseback.

1208 4. Delivery of tangible personal property outside the Commonwealth for use or consumption outside of
1209 the Commonwealth. Delivery of goods destined for foreign export to a factor or export agent shall be deemed
1210 to be delivery of goods for use or consumption outside of the Commonwealth.

1211 5. Tangible personal property purchased with food coupons issued by the U.S. Department of Agriculture
1212 under the Food Stamp Program or drafts issued through the Virginia Special Supplemental Food Program for
1213 Women, Infants, and Children.

1214 6. Tangible personal property purchased for use or consumption in the performance of maintenance and
1215 repair services at Nuclear Regulatory Commission-licensed nuclear power plants located outside the
1216 Commonwealth.

1217 7. Beginning July 1, 1997, and ending July 1, 2006, a professional's provision of original, revised, edited,
1218 reformatted or copied documents, including but not limited to documents stored on or transmitted by
1219 electronic media, to its client or to third parties in the course of the professional's rendition of services to its
1220 clientele.

1221 8. School lunches sold and served to pupils and employees of schools and subsidized by government;

1222 school textbooks sold by a local board or authorized agency thereof; and school textbooks sold for use by
1223 students attending a college or other institution of learning, when sold (i) by such institution of learning or (ii)
1224 by any other dealer, when such textbooks have been certified by a department or instructor of such institution
1225 of learning as required textbooks for students attending courses at such institution.

1226 9. Medicines, drugs, hypodermic syringes, artificial eyes, contact lenses, eyeglasses, eyeglass cases, and
1227 contact lens storage containers when distributed free of charge, all solutions or sterilization kits or other
1228 devices applicable to the wearing or maintenance of contact lenses or eyeglasses when distributed free of
1229 charge, and hearing aids dispensed by or sold on prescriptions or work orders of licensed physicians, dentists,
1230 optometrists, ophthalmologists, opticians, audiologists, hearing aid dealers and fitters, advanced practice
1231 registered nurses, physician assistants, and veterinarians; controlled drugs purchased for use by a licensed
1232 physician, optometrist, licensed advanced practice registered nurse, or licensed physician assistant in his
1233 professional practice, regardless of whether such practice is organized as a sole proprietorship, partnership, or
1234 professional corporation, or any other type of corporation in which the shareholders and operators are all
1235 licensed physicians, optometrists, licensed advanced practice registered nurses, or licensed physician
1236 assistants engaged in the practice of medicine, optometry, or nursing; medicines and drugs purchased for use
1237 or consumption by a licensed hospital, nursing home, clinic, or similar corporation not otherwise exempt
1238 under this section; and samples of prescription drugs and medicines and their packaging distributed free of
1239 charge to authorized recipients in accordance with the federal Food, Drug, and Cosmetic Act (21 U.S.C.A. §
1240 301 et seq., as amended).

1241 10. Wheelchairs and parts therefor, braces, crutches, prosthetic devices, orthopedic appliances, catheters,
1242 urinary accessories, other durable medical equipment and devices, and related parts and supplies specifically
1243 designed for those products; and insulin and insulin syringes, and equipment, devices or chemical reagents
1244 that may be used by a diabetic to test or monitor blood or urine, when such items or parts are purchased by or
1245 on behalf of an individual for use by such individual. Durable medical equipment is equipment that (i) can
1246 withstand repeated use, (ii) is primarily and customarily used to serve a medical purpose, (iii) generally is not
1247 useful to a person in the absence of illness or injury, and (iv) is appropriate for use in the home.

1248 11. Drugs and supplies used in hemodialysis and peritoneal dialysis.

1249 12. Special equipment installed on a motor vehicle when purchased by an individual with a disability to
1250 enable such individual to operate the motor vehicle.

1251 13. Special typewriters and computers and related parts and supplies specifically designed for those
1252 products used by individuals with disabilities to communicate when such equipment is prescribed by a
1253 licensed physician.

1254 14. a. (i) Any nonprescription drugs and proprietary medicines purchased for the cure, mitigation,
1255 treatment, or prevention of disease in human beings and (ii) any samples of nonprescription drugs and
1256 proprietary medicines distributed free of charge by the manufacturer, including packaging materials and
1257 constituent elements and ingredients.

1258 b. The terms "nonprescription drugs" and "proprietary medicines" shall be defined pursuant to regulations
1259 promulgated by the Department of Taxation. The exemption authorized in this subdivision shall not apply to
1260 cosmetics.

1261 15. Tangible personal property withdrawn from inventory and donated to (i) an organization exempt from
1262 taxation under § 501(c)(3) of the Internal Revenue Code or (ii) the Commonwealth, any political subdivision
1263 of the Commonwealth, or any school, agency, or instrumentality thereof.

1264 16. Tangible personal property purchased by nonprofit churches that are exempt from taxation under §
1265 501(c)(3) of the Internal Revenue Code, or whose real property is exempt from local taxation pursuant to the
1266 provisions of § 58.1-3606, for use (i) in religious worship services by a congregation or church membership
1267 while meeting together in a single location and (ii) in the libraries, offices, meeting or counseling rooms or
1268 other rooms in the public church buildings used in carrying out the work of the church and its related
1269 ministries, including kindergarten, elementary and secondary schools. The exemption for such churches shall
1270 also include baptistries; bulletins, programs, newspapers and newsletters that do not contain paid advertising
1271 and are used in carrying out the work of the church; gifts including food for distribution outside the public
1272 church building; food, disposable serving items, cleaning supplies and teaching materials used in the
1273 operation of camps or conference centers by the church or an organization composed of churches that are
1274 exempt under this subdivision and which are used in carrying out the work of the church or churches; and
1275 property used in caring for or maintaining property owned by the church including, but not limited to,
1276 mowing equipment; and building materials installed by the church, and for which the church does not
1277 contract with a person or entity to have installed, in the public church buildings used in carrying out the work
1278 of the church and its related ministries, including, but not limited to worship services; administrative rooms;
1279 and kindergarten, elementary, and secondary schools.

1280 17. Medical products and supplies, which are otherwise taxable, such as bandages, gauze dressings,
1281 incontinence products and wound-care products, when purchased by a Medicaid recipient through a
1282 Department of Medical Assistance Services provider agreement.

1283 18. Beginning July 1, 2007, and ending July 1, 2012, multifuel heating stoves used for heating an

1284 individual purchaser's residence. "Multifuel heating stoves" are stoves that are capable of burning a wide
1285 variety of alternative fuels, including, but not limited to, shelled corn, wood pellets, cherry pits, and olive
1286 pits.

1287 19. Fabrication of animal meat, grains, vegetables, or other foodstuffs when the purchaser (i) supplies the
1288 foodstuffs and they are consumed by the purchaser or his family, (ii) is an organization exempt from taxation
1289 under § 501(c)(3) or (c)(4) of the Internal Revenue Code, or (iii) donates the foodstuffs to an organization
1290 exempt from taxation under § 501(c)(3) or (c)(4) of the Internal Revenue Code.

1291 20. Beginning July 1, 2018, and ending July 1, ~~2025~~ 2026, parts, engines, and supplies used for
1292 maintaining, repairing, or reconditioning aircraft or any aircraft's avionics system, engine, or component
1293 parts. This exemption shall not apply to tools and other equipment not attached to or that does not become a
1294 part of the aircraft. For purposes of this subdivision, "aircraft" shall include both manned and unmanned
1295 systems. However, for manned systems, "aircraft" shall include only aircraft with a maximum takeoff weight
1296 of at least 2,400 pounds.

1297 21. A gun safe with a selling price of \$1,500 or less. For purposes of this subdivision, "gun safe" means a
1298 safe or vault that is (i) commercially available, (ii) secured with a digital or dial combination locking
1299 mechanism or biometric locking mechanism, and (iii) designed for the storage of a firearm or of ammunition
1300 for use in a firearm. "Gun safe" does not include a glass-faced cabinet. Any discount, coupon, or other credit
1301 offered by the retailer or a vendor of the retailer to reduce the final price to the customer shall be taken into
1302 account in determining the selling price for purposes of this exemption.

1303 22. Beginning July 1, 2022, and ending July 1, ~~2025~~ 2026, prescription medicines and drugs purchased by
1304 veterinarians and administered or dispensed to patients within a veterinarian-client-patient relationship as
1305 defined in § 54.1-3303.