

# 2025 SESSION

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## HOUSE BILL NO. 2740

Offered January 17, 2025

A BILL to amend the Code of Virginia by adding a section numbered 58.1-439.7:1, relating to tax credit; purchase of asphalt recycling equipment for reprocessing existing asphalt materials from pavements and roadways; report.

Patron—Lopez

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

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

§ 58.1-439.7:1. *Tax credit for purchase of asphalt recycling equipment for reprocessing existing asphalt materials from pavements and roadways.*

A. For purposes of this section:

"Asphalt recycling equipment" means machinery and equipment that is used to reclaim, recycle, or reprocess existing asphalt materials from pavements and roadways in the Commonwealth and that has been certified by the Department of Environmental Quality as being integral to the recycling process.

"Purchase price" means the original total capitalized cost of asphalt recycling equipment less capitalized interest.

B. For taxable years beginning on and after January 1, 2025, but before January 1, 2027, a taxpayer shall be allowed a nonrefundable credit against the tax imposed pursuant to Articles 2 (§ 58.1-320 et seq.) and 10 (§ 58.1-400 et seq.) in an amount equal to 20 percent of the purchase price paid during the taxable year for asphalt recycling equipment. The taxpayer shall submit purchase receipts and invoices as may be necessary to verify the purchase price paid with the income tax return.

C. The amount of the credit that may be claimed in any single taxable year shall not exceed 40 percent of the individual's liability for taxes imposed by this chapter for that taxable year. If the amount of the credit allowed under this section exceeds 40 percent of such individual's tax liability for the taxable year in which the asphalt recycling equipment was purchased, the amount that exceeds 40 percent of the tax liability may be carried over for credit against the income taxes of the individual in the next 10 taxable years or until the total amount of the tax credit for such equipment has been taken, whichever is sooner. The aggregate amount of credits allowable under this section shall not exceed \$3 million per taxable year. Credits shall be allocated on a pro rata basis.

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

E. In certifying whether any asphalt recycling equipment is integral to the asphalt recycling process, the Department of Environmental Quality shall ensure that such equipment is used for the production of new and recycled construction materials or is likely to result in an environmental benefit. An environmental benefit shall be determined by comparing the performance of such equipment to similar construction practices, such as any reduction in (i) reliance upon virgin materials to produce new asphalt materials, (ii) trips to the production facility or project site, or (iii) greenhouse gas emissions as reported in an environmental production declaration.

F. The Tax Commissioner shall develop guidelines for claiming the credit provided by this section. Such guidelines shall be exempt from the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).

2. That the Department of Taxation, in consultation with the Department of Environmental Quality and the Department of Transportation, shall submit a report to the Chairmen of the House Committee on Finance and Senate Committee on Finance and Appropriations that includes the number of claims for a credit pursuant to this act, an evaluation of the highway projects for which such credit was claimed, and any impact that the use of asphalt recycling equipment, as defined by this act, has on environmental quality and pavement performance in the Commonwealth no later than December 1, 2025.

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