

**DEPARTMENT OF TAXATION  
2025 Fiscal Impact Statement**

- 1. **Patron** David W. Marsden
- 3. **Committee** Senate Finance and Appropriations
- 4. **Title** Income Tax: Asphalt Recycling Tax Credit

- 2. **Bill Number** SB 1464  
**House of Origin:**  
  X   **Introduced**  
      **Substitute**  
      **Engrossed**  
  
**Second House:**  
      **In Committee**  
      **Substitute**  
      **Enrolled**

**5. Summary/Purpose:**

This bill would establish a nonrefundable income tax credit in an amount equal to twenty percent of the purchase price paid for asphalt recycling equipment. The amount of the credit allowed in any taxable year would be limited to no more than forty percent of the taxpayer's Virginia income tax liability, and no more than \$3 million in aggregate credits could be issued each fiscal year.

This bill would become effective for taxable years beginning on and after January 1, 2025, but before January 1, 2027.

- 6. **Budget amendment necessary:** Yes.  
Item(s): Page 1, Revenue Estimates  
258 and 260, Department of Taxation

- 7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

**8. Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") estimates that the provisions of this bill would result in administrative costs \$337,930 in FY 2026; \$366,920 in FY 2027; and \$88,800 in each fiscal year thereafter. This includes processing and technology costs associated with establishing this new credit. These costs also include the addition of one new full-time employee to administer the credit. These costs assume that invoices would be provided by taxpayers on request, as the Department's electronic filing system cannot accept attachments.

As the Department has no expertise with the evaluation of highway projects or the impact that the use of asphalt recycling equipment has on environmental quality and pavement performance in Virginia, the Department's costs assume that with respect to the report required by enactment 2 of this bill:

- Any highway project evaluation and any impact analysis would be conducted and prepared by the Virginia Department of Transportation and DEQ, and
- The Department's role in such report would be limited to providing data on the number of claims for the credit.

The Department of Environmental Quality (“DEQ”) has stated that it would need one full-time employee to administer the certification process envisioned by this bill.

Revenue Impact

This bill would have an annual unknown negative General Fund revenue impact of up to \$3 million beginning in Fiscal Year 2026. The impact is unknown because it is unknown how many taxpayers would apply for the credit. In addition, the cost of qualifying equipment is unknown. However, because this credit would be subject to an annual aggregate credit cap of \$3 million, the revenue impact of this bill would not exceed \$3 million per fiscal year.

**9. Specific agency or political subdivisions affected:**

Department of Taxation  
 Department of Environmental Quality  
 Department of Transportation

**10. Technical amendment necessary:** Yes.

Due to the effective date of this tax credit, the first credits for Taxable Year 2025 will not be claimed until these tax returns are filed in Calendar Year 2026. As a result, there would be no data on the tax credit to report until 2026. Therefore, the following technical amendment is suggested:

Line 54  
 Strike: "2025"  
 Insert: "2026"

**11. Other comments:**

Recyclable Material Processing Equipment Tax Credit

The Recyclable Materials Processing Equipment Tax Credit is an individual and corporate income tax credit for purchases made during the taxable year of machinery and equipment used predominantly in or on the premises of manufacturing facilities or plant units that manufacture, process, compound or produce items of tangible personal property from recyclable materials within Virginia for sale.

The purchase of machinery and equipment used in advanced recycling is also eligible for the credit. “Advanced recycling” is defined as the operation of a single-stream or multi-stream recycling plant that converts waste materials into new materials for resale by processing them and breaking them down into their raw constituents. This includes the

operation of a materials recovery facility or materials reclamation facility that receives, separates, and prepares recyclable materials for sale to end-user manufactures.

The amount of the credit is equal to 20 percent of a taxpayer's qualifying expenditures and cannot exceed 40 percent of its Virginia income tax liability for the year. The credit is nonrefundable and nontransferable. Credits in excess of a taxpayer's income tax liability may be carried forward for up to 10 taxable years. The credit is subject to an annual credit cap of \$2 million.

The DEQ is tasked with certifying eligible recycling equipment. The Department is responsible for administering eligible tax credits for certified equipment.

Mobile recycling machinery or equipment used at the worksite would not qualify for this tax credit, because the credit is only for machinery and equipment used "predominantly in or on the premises" of manufacturing facilities or plant units that manufacture, process, compound or produce items of tangible personal property from recyclable materials within Virginia for sale.

### Property Tax Exemptions for Recycling Equipment, Facilities, and Devices

Local governments in Virginia have the option of exempting or partially exempting DEQ certified recycling facilities and equipment from property taxes. Once certified, the machinery and equipment may qualify for a local tax exemption based on current value assessment by taxing authority.

### Proposal

This bill would create a nonrefundable income tax credit in an amount equal to twenty percent of the purchase price paid during the taxable year for asphalt recycling equipment. In determining the "purchase price paid," the taxpayer would use the original total capitalized cost of the machinery and equipment minus the capitalized interest.

"Asphalt recycling equipment" would be defined as machinery and equipment that is used to reclaim, recycle, or reprocess existing asphalt materials from pavements and roadways in Virginia and that has been certified by DEQ as being integral to the recycling process.

The amount of the credit allowed in any taxable year would be limited to no more than forty percent of the taxpayer's Virginia income tax liability, and any excess credit could be carried forward for up to ten years. The total amount of aggregate credits issued would be limited to no more than \$3 million per fiscal year. If the amount of tax credits approved exceeds \$3 million, the credit would be prorated.

In certifying whether any asphalt recycling equipment is integral to the asphalt recycling process, DEQ must ensure the equipment is used to produce new and recycled construction materials or is likely to result in an environmental benefit.

An environmental benefit would be determined by comparing the performance of the equipment to similar construction practices, such as any reduction in

- Reliance upon virgin materials to produce new asphalt materials,

- Trips to the production facility or project site, or
- Greenhouse gas emission as reported in an environmental production declaration.

If a corporation converts to a partnership, limited liability company, or electing small business (S corporation), the business entity would be entitled to any unused credits. Credits earned by a partnership, limited liability company, or electing small business corporation, or a predecessor corporation entitled to credits, would be required to allocate such credits to the individual partners, members, or shareholders in proportion to their ownership or interest.

The Department would be required to develop guidelines for claiming the credit, and no later than December 1, 2025, the Department, in consultation with DEQ and the Department of Transportation, would be required to 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 credit, an evaluation of the highway projects for which the credits are claimed, and any impact that the use of asphalt recycling equipment has on environmental quality and pavement performance in the Commonwealth.

This bill would be effective for taxable years beginning on and after January 1, 2025, but before January 1, 2027.

#### Similar Bills

**HB 2740** is identical to this bill.

**SB 1433** is similar; however, it would not define “Asphalt recycling equipment” and would give DEQ and VDOT different responsibilities.

cc : Secretary of Finance

Date: 01/26/2025 ALS  
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