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SENATE BILL NO. 871  
AMENDMENT IN THE NATURE OF A SUBSTITUTE  
(Proposed by the House Committee on Finance  
on )  
(Patron Prior to Substitute—Senator VanValkenburg)

*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, 58.1-405.1, 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, 58.1-609.1, 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, 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.*

on \_\_\_\_\_)

**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, 58.1-405.1, 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, 58.1-609.1, 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.

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

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

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

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

44 C. For taxable years beginning on and after January 1, 2020, but before January 1, ~~2026~~ 2027, any amount  
45 that is includible in the federal adjusted gross income of an eligible veteran by reason of the whole or partial  
46 discharge of any loan described in § 108(f)(5)(B) of the Internal Revenue Code shall be excluded from  
47 Virginia adjusted gross income. This exclusion shall apply only to those discharges that (i) are described in  
48 clauses (i), (ii), and (iii) of § 108(f)(5)(A) of the Internal Revenue Code and (ii) occur after December 31,  
49 2017. For the purposes of this subsection, "eligible veteran" means a veteran who has been rated by the U.S.  
50 Department of Veterans Affairs, or its successor agency pursuant to federal law, to have a 100 percent  
51 service-connected, permanent, and total disability.

52 **§ 58.1-322.03. Virginia taxable income; deductions.**

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

55 1. a. The amount allowable for itemized deductions for federal income tax purposes where the taxpayer  
56 has elected for the taxable year to itemize deductions on his federal return, but reduced by the amount of  
57 income taxes imposed by the Commonwealth or any other taxing jurisdiction and deducted on such federal  
58 return and increased by an amount that, when added to the amount deducted under § 170 of the Internal  
59 Revenue Code for mileage, results in a mileage deduction at the state level for such purposes at a rate of 18

60 cents per mile; or

61 b. Provided that the taxpayer has not itemized deductions for the taxable year on his federal income tax  
62 return: (i) for taxable years beginning before January 1, 2019, and on and after January 1, ~~2026~~ 2027, \$3,000  
63 for single individuals and \$6,000 for married persons (one-half of such amounts in the case of a married  
64 individual filing a separate return); (ii) for taxable years beginning on and after January 1, 2019, but before  
65 January 1, 2022, \$4,500 for single individuals and \$9,000 for married persons (one-half of such amounts in  
66 the case of a married individual filing a separate return); (iii) for taxable years beginning on and after January  
67 1, 2022, but before January 1, 2024, \$8,000 for single individuals and \$16,000 for married persons (one-half  
68 of such amounts in the case of a married individual filing a separate return); and (iv) for taxable years  
69 beginning on and after January 1, 2024, but before January 1, ~~2026~~ 2027, \$8,500 for single individuals and  
70 \$17,000 for married persons (one-half of such amounts in the case of a married individual filing a separate  
71 return). For purposes of this section, any person who may be claimed as a dependent on another taxpayer's  
72 return for the taxable year may compute the deduction only with respect to earned income.

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

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

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

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

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

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

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

89 filing separately, the deduction shall be reduced by \$1 for every \$1 that the total combined adjusted federal  
90 adjusted gross income of both spouses exceeds \$75,000.

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

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

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

116 b. A purchaser of a prepaid tuition contract or contributor to a college savings trust account who has  
117 attained age 70 shall not be subject to the limitation that the amount of the deduction not exceed \$4,000 per

118 prepaid tuition contract or college savings trust account in any taxable year. Such taxpayer shall be allowed a  
119 deduction for the full amount paid for the contract or contributed to a college savings trust account, less any  
120 amounts previously deducted.

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

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

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

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

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

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

144 12. An amount equal to 20 percent of the sum paid by an individual pursuant to Chapter 6 (§ 58.1-600 et  
145 seq.), not to exceed \$500 in each taxable year, in purchasing for his own use the following items of tangible  
146 personal property: (i) any clothes washers, room air conditioners, dishwashers, and standard size refrigerators

147 that meet or exceed the applicable energy star efficiency requirements developed by the U.S. Environmental  
148 Protection Agency and the U.S. Department of Energy; (ii) any fuel cell that (a) generates electricity using an  
149 electrochemical process, (b) has an electricity-only generation efficiency greater than 35 percent, and (c) has  
150 a generating capacity of at least two kilowatts; (iii) any gas heat pump that has a coefficient of performance  
151 of at least 1.25 for heating and at least 0.70 for cooling; (iv) any electric heat pump hot water heater that  
152 yields an energy factor of at least 1.7; (v) any electric heat pump that has a heating system performance factor  
153 of at least 8.0 and a cooling seasonal energy efficiency ratio of at least 13.0; (vi) any central air conditioner  
154 that has a cooling seasonal energy efficiency ratio of at least 13.5; (vii) any advanced gas or oil water heater  
155 that has an energy factor of at least 0.65; (viii) any advanced oil-fired boiler with a minimum annual  
156 fuel-utilization rating of 85; (ix) any advanced oil-fired furnace with a minimum annual fuel-utilization rating  
157 of 85; and (x) programmable thermostats.

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

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

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

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

175 b. For taxable years beginning on and after January 1, 2022, but before January 1, 2024, 30 percent of

176 such disallowed business interest;

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

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

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

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

188 18. For taxable years beginning on and after January 1, 2022, but before January 1, ~~2025~~ 2027, the lesser  
189 of \$500 or the actual amount paid or incurred for eligible educator qualifying expenses. For purposes of this  
190 subdivision, "eligible educator" means an individual who for at least 900 hours during the taxable year in  
191 which the credit under this section is claimed served as a teacher licensed pursuant to Chapter 15 (§  
192 22.1-289.1 et seq.) of Title 22.1, instructor, student counselor, principal, special needs personnel, or student  
193 aide serving accredited public or private primary and secondary school students in Virginia, and "qualifying  
194 expenses" means 100 percent of the amount paid or incurred by an eligible educator during the taxable year  
195 for participation in professional development courses and the purchase of books, supplies, computer  
196 equipment (including related software and services), other educational and teaching equipment, and  
197 supplementary materials used directly in that individual's service to students as an eligible educator, provided  
198 that such purchases were neither reimbursed nor claimed as a deduction on the eligible educator's federal  
199 income tax return for such taxable year.

200 **§ 58.1-332. Credits for taxes paid other states.**

201 A. Whenever a Virginia resident has become liable to another state for income tax on any earned or  
202 business income or any gain on the sale of a capital asset (within the meaning of § 1221 of the Internal  
203 Revenue Code), not including an asset used in a trade or business, to the extent that such gain is included in  
204 federal adjusted gross income, for the taxable year, derived from sources outside the Commonwealth and

205 subject to taxation under this chapter, the amount of such tax payable by him shall, upon proof of such  
206 payment, be credited on the taxpayer's return with the income tax so paid to the other state.

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

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

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

233 C. 1. For purposes of this section, the amount of any state income tax paid by an electing small business



234 corporation (S corporation) shall be deemed to have been paid by its individual shareholders in proportion to  
235 their ownership of the stock of such corporation.

236 2. For taxable years beginning on and after January 1, 2021, but before January 1, ~~2026~~ 2027, for  
237 purposes of this section, the amount of any state income tax paid by a pass-through entity under a law of  
238 another state substantially similar to § 58.1-390.3 shall be deemed to have been paid by its individual owners  
239 in proportion to their ownership.

240 **§ 58.1-339.8. Income tax credit for low-income taxpayers.**

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

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

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

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

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

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

262 2. For taxable years beginning on and after January 1, 2006, any individual or married individuals, eligible

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

268 3. For taxable years beginning on and after January 1, 2022, but before January 1, ~~2026~~ 2027, any  
269 individual or married persons, eligible for a tax credit pursuant to § 32 of the Internal Revenue Code, may for  
270 the taxable year, in lieu of the credit authorized under subdivision 1 or 2, claim a refundable credit against the  
271 tax imposed pursuant to § 58.1-320 in an amount equal to 15 percent of the credit claimed by the individual  
272 or married persons for federal individual income taxes pursuant to § 32 of the Internal Revenue Code for the  
273 taxable year. The refundable credit shall be claimed on the Virginia income tax return and redeemed by the  
274 Tax Commissioner. In no case shall a household be allowed a credit pursuant to this subdivision and  
275 subdivision 1 or 2 for the same taxable year.

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

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

283 1. The subtraction under subdivision 8 of § 58.1-322.02;

284 2. The subtraction under subdivision 15 of § 58.1-322.02;

285 3. The subtraction under subdivision 16 of § 58.1-322.02;

286 4. The deduction for the additional personal exemption for blind or aged taxpayers under subdivision 2 b  
287 of § 58.1-322.03; or

288 5. The deduction under subdivision 5 of § 58.1-322.03.

289 **§ 58.1-339.13. Reforestation and afforestation tax credit.**

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

292 the Department of Forestry.

293 B. In order to encourage the planting and sustainable growth of hardwood trees, which take longer to  
294 reach maturity and thus take a longer time for a taxpayer to recoup investment expenses, for taxable years  
295 beginning on and after January 1, 2022, but before January 1, ~~2025~~ 2027, a taxpayer shall be allowed a  
296 nonrefundable credit against the tax levied pursuant to § 58.1-320 for eligible expenditures. The credit shall  
297 equal the lesser of the eligible expenditures incurred by the taxpayer or \$1,000.

298 C. The total amount of tax credits available under this section for a taxable year shall not exceed \$1  
299 million. Approved applications for such credits shall be administered and credits shall be allocated by the  
300 Department of Forestry on a first-come, first-served basis. In order to claim the credit, the taxpayer shall  
301 submit a forest management plan to the Department of Forestry for review. After approval of the plan, and  
302 completion of the implementation of the plan, the Department of Forestry shall certify the forest management  
303 plan contains beneficial management practices as eligible for the credit. The taxpayer shall forward the  
304 certification to the Department on forms provided by the Department. Approval and implementation of a  
305 forest management plan shall be completed the same year in which the credit is claimed.

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

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

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

317 **§ 58.1-390.3. Elective income tax on pass-through entities.**

318 A. 1. For taxable years beginning on and after January 1, 2021, but before January 1, 2022, a pass-through  
319 entity may make an election, in a format and according to such requirements and procedures to be established  
320 by the Department, to pay the tax levied by this section at the entity level for the taxable year. Such election

321 shall be made on or before a date to be determined by the Department, which shall be set no earlier than one  
322 year after the extended due date for filing the applicable return. Notwithstanding §§ 58.1-1812 and 58.1-1833  
323 , no interest shall accrue on underpayments or overpayments solely attributable to such election.

324 2. For taxable years beginning on and after January 1, 2022, but before January 1, ~~2026~~ 2027, a  
325 pass-through entity may make an annual election, on its timely filed return pursuant to § 58.1-392, to pay the  
326 tax levied by this section at the entity level for the taxable period covered by such return. Such election shall  
327 be made on or before the due date for filing the applicable return, including any extensions that have been  
328 granted.

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

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

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

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

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

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

352 **§ 58.1-405.1. Eligibility of companies for apportionment modification; certification by the Virginia**  
353 **Economic Development Partnership Authority.**

354 A. For purposes of this section:

355 "Authority" means the Virginia Economic Development Partnership Authority.

356 "Eligible company" means a corporation or pass-through entity, as defined in § 58.1-390.1, that does not  
357 have any existing property or payroll in Virginia as of January 1, 2018, and on or after January 1, 2018, but  
358 before January 1, ~~2025~~ 2027, (i) either (a) spends at least \$5 million on new capital investment in a qualified  
359 locality or qualified localities and creates at least 10 new jobs in a qualified locality or qualified localities or  
360 (b) creates at least 50 new jobs in a qualified locality or qualified localities; (ii) is a traded-sector company;  
361 and (iii) is certified by the Authority as generating a positive fiscal impact pursuant to subsection B.

362 "New capital investment" means real property acquired in a qualified locality or qualified localities on or  
363 after January 1, 2018, but before January 1, ~~2025~~ 2027, and any improvements to real property in a qualified  
364 locality or qualified localities on or after January 1, 2018, but before January 1, ~~2025~~ 2027.

365 "New job" means a permanent, full-time position of indefinite duration that pays at least 150 percent of  
366 the minimum wage, as defined in the Virginia Minimum Wage Act (§ 40.1-28.8 et seq.), and that requires a  
367 minimum of (i) 35 hours of an employee's time a week for the entire normal year of the eligible company's  
368 operations, which normal year shall consist of at least 48 weeks, or (ii) 1,680 hours per year.

369 "Qualified development site" means real property that is in a locality adjacent to a qualified locality and,  
370 before January 1, 2018, either (i) was owned or partly owned by a qualified locality or an industrial  
371 development authority of which a qualified locality is a member or (ii) was owned or partly owned by a  
372 locality or industrial development authority, was leased to a private party, and was subject to a revenue-  
373 sharing agreement providing that a portion of the revenues from the lease would be distributed to a qualified  
374 locality. "Qualified development site" does not include real property that is not owned by the Commonwealth  
375 or a political subdivision thereof.

376 "Qualified locality" means (i) the County of Alleghany, Bland, Buchanan, Carroll, Craig, Dickenson,  
377 Giles, Grayson, Lee, Page, Russell, Scott, Smyth, Tazewell, Washington, Wise, or Wythe or the City of  
378 Bristol, Galax, or Norton; (ii) the County of Amelia, Appomattox, Buckingham, Charlotte, Cumberland,

379 Halifax, Henry, Lunenburg, Mecklenburg, Nottoway, Patrick, Pittsylvania, or Prince Edward or the City of  
380 Danville or Martinsville; (iii) the County of Accomack, Caroline, Essex, Gloucester, King and Queen, King  
381 William, Lancaster, Mathews, Middlesex, Northampton, Northumberland, Richmond, or Westmoreland; or  
382 (iv) the County of Brunswick or Dinwiddie or the City of Petersburg. "Qualified locality" includes a qualified  
383 development site.

384 "Traded-sector company" means a company that directly or indirectly derives more than 50 percent of its  
385 revenue from out-of-state sources.

386 B. 1. The Authority shall determine whether a company will generate a positive fiscal impact based on the  
387 following factors: (i) job creation; (ii) private capital investment; and (iii) anticipated additional state and  
388 local tax revenue. The Authority also shall consider the additional revenue the Commonwealth likely would  
389 expend in and for the localities if the economy in the localities continues to erode. In making its  
390 determination, the Authority shall consult with the Department regarding the revenue impact of certifying  
391 such company. The Authority shall certify a company only if it determines such company will generate a  
392 positive fiscal impact.

393 2. The Authority shall deny certification to any company if it determines such taxpayer has engaged in a  
394 merger, acquisition, similar business combination, name change, change in business form, or other  
395 transaction the primary purpose of which is to obtain status as an eligible company.

396 3. The Authority shall make an annual re-certification according to subdivision B 1, and no company shall  
397 remain an eligible company for any taxable year that the Authority does not grant re-certification.

398 C. Any eligible company may elect to apportion its income pursuant to the provisions of § 58.1-408,  
399 58.1-417, 58.1-418, 58.1-419, 58.1-420, 58.1-422, 58.1-422.1, or 58.1-422.2, as applicable. However, if the  
400 entire business of an eligible company is transacted or conducted within the Commonwealth, it shall not  
401 apportion its income pursuant to this subsection but may elect to apportion its income pursuant to the  
402 provisions of § 58.1-405.

403 **§ 58.1-408. What income apportioned and how.**

404 A. The Virginia taxable income of any corporation, except those subject to the provisions of § 58.1-417,  
405 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  
406 under § 58.1-407, shall be apportioned to the Commonwealth by multiplying such income by a fraction, the  
407 numerator of which is the property factor plus the payroll factor, plus twice the sales factor, and the

408 denominator of which is four; however, where the sales factor does not exist, the denominator of the fraction  
409 shall be the number of existing factors and where the sales factor exists but the payroll factor or the property  
410 factor does not exist, the denominator of the fraction shall be the number of existing factors plus one.

411 B. Any eligible company, as defined in § 58.1-405.1, may subtract from the numerator of the  
412 corresponding factor the value of its (i) property acquired in any qualified locality or qualified localities, as  
413 defined in § 58.1-405.1, on or after January 1, 2018, but before January 1, ~~2025~~ 2027; (ii) payroll attributable  
414 to jobs created on or after January 1, 2018, but before January 1, ~~2025~~ 2027, in any qualified locality or  
415 qualified localities; and (iii) sales in the Commonwealth during the taxable year. Such eligible company may  
416 make such modification for the taxable year in which it first becomes eligible and for the six subsequent,  
417 consecutive taxable years, except for any year in which the eligible company's (a) total, cumulative new  
418 capital investment falls below the applicable initial threshold or (b) number of new jobs falls below the  
419 applicable initial threshold.

420 **§ 58.1-439. Major business facility job tax credit.**

421 A. For taxable years beginning on and after January 1, 1995, but before ~~July 1, 2025~~ *January 1, 2027*, a  
422 taxpayer shall be allowed a credit against the taxes imposed by Articles 2 (§ 58.1-320 et seq.), 6 (§ 58.1-360  
423 et seq.), and 10 (§ 58.1-400 et seq.) of Chapter 3; Chapter 12 (§ 58.1-1200 et seq.); Article 1 (§ 58.1-2500 et  
424 seq.) of Chapter 25; or Article 2 (§ 58.1-2620 et seq.) of Chapter 26 as set forth in this section.

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

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

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

432 2. The company is engaged in any business in the Commonwealth, except a retail trade business if such  
433 trade is the principal activity of an individual facility in the Commonwealth. Examples of types of major  
434 business facilities that are eligible for the credit provided under this section include, but are not limited to, a  
435 headquarters, or portion of such a facility, where company employees are physically employed, and where the  
436 majority of the company's financial, personnel, legal or planning functions are handled either on a regional or

437 national basis. A company primarily engaged in the Commonwealth in the business of manufacturing or  
438 mining; agriculture, forestry or fishing; transportation or communications; or a public utility subject to the  
439 corporation income tax shall be deemed to have established or expanded a major business facility in the  
440 Commonwealth if it meets the requirements of subdivision 1 during a single taxable year and such facilities  
441 are not retail establishments. A major business facility shall also include facilities that perform central  
442 management or administrative activities, whether operated as a separate trade or business, or as a separate  
443 support operation of another business. Central management or administrative activities include, but are not  
444 limited to, general management; accounting; computing; tabulating; purchasing; transportation or shipping;  
445 engineering and systems planning; advertising; technical sales and support operations; central administrative  
446 offices and warehouses; research, development and testing laboratories; computer-programming, data-  
447 processing and other computer-related services facilities; and legal, financial, insurance, and real estate  
448 services. The terms used in this subdivision to refer to various types of businesses shall have the same  
449 meanings as those terms are commonly defined in the Standard Industrial Classification Manual.

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

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

454 F. A "qualified full-time employee" means an employee filling a new, permanent full-time position in a  
455 major business facility in the Commonwealth. A "new, permanent full-time position" is a job of an indefinite  
456 duration, created by the company as a result of the establishment or expansion of a major business facility in  
457 the Commonwealth, requiring a minimum of 35 hours of an employee's time a week for the entire normal  
458 year of the company's operations, which "normal year" shall consist of at least 48 weeks, or a position of  
459 indefinite duration which requires a minimum of 35 hours of an employee's time a week for the portion of the  
460 taxable year in which the employee was initially hired for, or transferred to, the major business facility in the  
461 Commonwealth. Seasonal or temporary positions, or a job created when a job function is shifted from an  
462 existing location in the Commonwealth to the new major business facility and positions in building and  
463 grounds maintenance, security, and other such positions which are ancillary to the principal activities  
464 performed by the employees at a major business facility shall not qualify as new, permanent full-time  
465 positions.



466 G. For any major business facility, the amount of credit earned pursuant to this section shall be equal to  
467 \$1,000 per qualified full-time employee, over the threshold amount, employed during the credit year. The  
468 credit shall be allowed ratably, with one-third of the credit amount allowed annually for three years beginning  
469 with the credit year. However, for taxable years beginning on or after January 1, 2009, one-half of the credit  
470 amount shall be allowed each year for two years. The portion of the \$1,000 credit earned with respect to any  
471 qualified full-time employee who is employed in the Commonwealth for less than 12 full months during the  
472 credit year will be determined by multiplying the credit amount by a fraction, the numerator of which is the  
473 number of full months that the qualified full-time employee worked for the major business facility in the  
474 Commonwealth during the credit year, and the denominator of which is 12. A separate credit year and a  
475 three-year allowance period shall exist for each distinct major business facility of a single taxpayer, except  
476 for credits allowed for taxable years beginning on or after January 1, 2009, when a two-year allowance period  
477 shall exist for each distinct major business facility of a single taxpayer.

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

486 I. No credit shall be earned pursuant to this section for any employee (i) for whom a credit under this  
487 section was previously earned by a related party as defined by Internal Revenue Code § 267(b) or a trade or  
488 business under common control as defined by Internal Revenue Code § 52(b); (ii) who was previously  
489 employed in the same job function in Virginia by a related party as defined by Internal Revenue Code §  
490 267(b) or a trade or business under common control as defined by Internal Revenue Code § 52(b); (iii) whose  
491 job function was previously performed at a different location in Virginia by an employee of the taxpayer, a  
492 related party as defined by Internal Revenue Code § 267(b), or a trade or business under common control as  
493 defined by Internal Revenue Code § 52(b); or (iv) whose job function previously qualified for a credit under  
494 this section at a different major business facility on behalf of the taxpayer, a related party as defined by

495 Internal Revenue Code § 267(b), or a trade or business under common control as defined by Internal Revenue  
496 Code § 52(b).

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

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

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

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

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

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

536 P. No person shall claim a credit allowed pursuant to this section and the credit allowed pursuant to §  
537 58.1-439.2. Any qualified business firm receiving an enterprise zone job creation grant under § 59.1-547 shall  
538 not be eligible to receive a major business facility job tax credit pursuant to this section for any job used to  
539 qualify for the enterprise zone job creation grant.

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

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

549 S. For purposes of satisfying the criteria of subdivision C 1, two or more affiliated companies may elect to  
550 aggregate the number of jobs created for qualified full-time employees as the result of the establishment or  
551 expansion by the individual companies in order to qualify for the credit allowed pursuant to this section. For  
552 purposes of this subsection, "affiliated companies" means two or more companies related to each other such

553 that (i) one company owns at least 80 percent of the voting power of the other or others or (ii) at least 80  
554 percent of the voting power of two or more companies is owned by the same interests.

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

562 U. For taxable years beginning on and after January 1, 2019, and notwithstanding the provisions of §  
563 58.1-3 or any other provision of law, the Department of Taxation, in consultation with the Virginia Economic  
564 Development Partnership, shall publish the following information by November 1 of each year for the  
565 12-month period ending on the preceding December 31:

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

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

573 **§ 58.1-439.6:1. Worker training tax credit.**

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

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

581 "Industry-recognized" means demonstrating competency or proficiency in the technical and occupational

582 skills identified as necessary for performing functions of an occupation based on standards developed or  
583 endorsed by employers or industry organizations.

584 "Manufacturing" means processing, manufacturing, refining, mining, or converting products for sale or  
585 resale.

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

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

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

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

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

598 B. 1. For taxable years beginning on and after January 1, 2019, but prior to ~~July 1, 2025~~ *January 1, 2027*,  
599 a business shall be allowed a credit against the taxes imposed by Articles 2 (§ 58.1-320 et seq.), 6 (§ 58.1-360  
600 et seq.), and 10 (§ 58.1-400 et seq.) of Chapter 3; Chapter 12 (§ 58.1-1200 et seq.); Article 1 (§ 58.1-2500 et  
601 seq.) of Chapter 25; or Article 2 (§ 58.1-2620 et seq.) of Chapter 26 in an amount equal to 35 percent of  
602 expenses incurred by the business during the taxable year for eligible worker training. If the recipient of the  
603 training is a qualified employee, the credit shall not exceed \$500 per qualified employee annually. If the  
604 recipient of the training is a non-highly compensated worker, the credit shall not exceed \$1,000 per  
605 non-highly compensated worker annually.

606 2. For taxable years beginning on and after January 1, 2019, but prior to January 1, ~~2025~~ *2027*, a business  
607 primarily engaged in manufacturing shall be allowed a credit against the taxes imposed by Articles 2 (§  
608 58.1-320 et seq.) and 10 (§ 58.1-400 et seq.) in an amount equal to 35 percent of its direct costs incurred  
609 during the taxable year in conducting orientation, instruction, and training in the Commonwealth relating to  
610 the manufacturing activities undertaken by the business. In no event shall the credit allowed to a business

611 under this subdivision exceed \$2,000 for any taxable year. The Department shall allow credit only for  
612 programs that (i) provide orientation, instruction, and training solely to students in grades six through 12; (ii)  
613 are coordinated with the local school division; and (iii) are conducted either at a plant or facility owned,  
614 leased, rented, or otherwise used by the business or at a public middle or high school in the Commonwealth.  
615 The taxpayer shall include in its direct costs only the following expenditures: (a) salaries or wages paid to  
616 instructors and trainers, prorated for the period of instruction or training; (b) costs for orientation, instruction,  
617 and training materials; (c) amounts paid for machinery and equipment used primarily for such instruction and  
618 training; and (d) the cost of leased or rented space used primarily for conducting the program.

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

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

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

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

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

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

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

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

653 **§ 58.1-439.7. Tax credit for purchase of machinery and equipment used for advanced recycling and**  
654 **processing recyclable materials.**

655 A. 1. For taxable years beginning on and after January 1, 1999, but before January 1, ~~2025~~ 2027, a  
656 taxpayer shall be allowed a credit against the tax imposed pursuant to Articles 2 (§ 58.1-320 et seq.) and 10  
657 (§ 58.1-400 et seq.) of Chapter 3 of this title, in an amount equal to 20 percent of the purchase price paid  
658 during the taxable year for (i) machinery and equipment used predominantly in or on the premises of  
659 manufacturing facilities or plant units which manufacture, process, compound, or produce items of tangible  
660 personal property from recyclable materials, within the Commonwealth, for sale and (ii) machinery and  
661 equipment used predominantly in or on the premises of facilities that are predominantly engaged in advanced  
662 recycling. For purposes of determining "purchase price paid" under this section, the taxpayer may use the  
663 original total capitalized cost of such machinery and equipment, less capitalized interest. For purposes of this  
664 section, "advanced recycling" means the operation of a single-stream or multi-stream recycling plant that  
665 converts waste materials into new materials for resale by processing them and breaking them down into their  
666 raw constituents. "Advanced recycling" includes the operation of a materials recovery facility or materials  
667 reclamation facility that receives, separates, and prepares recyclable materials for sale to end-user  
668 manufacturers.

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

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

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

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

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

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

694 E. In the event a corporation converts to a partnership, limited liability company, or electing small  
695 business corporation (S corporation), such business entity shall be entitled to any unused credits of the  
696 corporation. Credits earned by a partnership, limited liability company, electing small business corporation (S  
697 corporation), or a predecessor corporation entitled to such credits, shall be allocated to the individual



698 partners, members, or shareholders, respectively, in proportion to their ownership or interest in such business  
699 entities.

700 **§ 58.1-439.12:04. Tax credit for participating landlords.**

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

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

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

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

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

717 "Housing choice voucher" means tenant-based assistance by a housing authority pursuant to 42 U.S.C. §  
718 1437f et seq.

719 "Participating landlord" means any person engaged in the business of the rental of dwelling units who is  
720 (i) subject to the Virginia Residential Landlord and Tenant Act (§ 55.1-1200 et seq.) and (ii) performing  
721 obligations under a contract with a housing authority relating to the rental of qualified housing units.

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

725 B. 1. For taxable years beginning on or after January 1, 2010, but before January 1, ~~2026~~ 2027, a  
726 participating landlord renting a qualified housing unit in an eligible census tract shall be eligible for a credit

727 against the tax levied pursuant to § 58.1-320 or 58.1-400 in an amount equal to 10 percent of the fair market  
728 value of the rent for the unit, computed for that portion of the taxable year in which the unit was rented by  
729 such landlord to a tenant participating in a housing choice voucher program. The Department of Housing and  
730 Community Development shall administer and issue the tax credit under this section. If (i) the same parcel of  
731 real property contains four or more dwelling units and (ii) the total number of qualified housing units on the  
732 parcel in the relevant taxable year exceeds 25 percent of the total dwelling units on the parcel, then the tax  
733 credit under this section shall apply only to a limited number of qualified housing units with regard to such  
734 parcel of real property, with the limited number being equal to 25 percent of the total dwelling units on such  
735 parcel of real property in the taxable year.

736 2. For taxable years beginning on or after January 1, 2024, but before January 1, ~~2026~~ 2027, a  
737 participating landlord renting a qualified housing unit in an eligible non-metropolitan census tract shall be  
738 eligible for a credit against the tax levied pursuant to § 58.1-320 or 58.1-400 in an amount equal to 10 percent  
739 of the fair market value of the rent for the unit, computed for that portion of the taxable year in which the unit  
740 was rented by such landlord to a tenant participating in a housing choice voucher program. The Department  
741 of Housing and Community Development shall administer and issue the tax credit under this section. If (i) the  
742 same parcel of real property contains four or more dwelling units and (ii) the total number of qualified  
743 housing units on the parcel in the relevant taxable year exceeds 25 percent of the total dwelling units on the  
744 parcel, then the tax credit under this section shall apply only to a limited number of qualified housing units  
745 with regard to such parcel of real property, with the limited number being equal to 25 percent of the total  
746 dwelling units on such parcel of real property in the taxable year.

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

753 D. Participating landlords shall apply to the Department of Housing and Community Development for tax  
754 credits under this section. The Department of Housing and Community Development shall determine the  
755 credit amount allowable to the participating landlord for the taxable year and shall also determine the fair

756 market value of the rent for the qualified housing unit based on the fair market rent approved by the United  
757 States Department of Housing and Urban Development as the basis for the tenant-based assistance provided  
758 through the housing choice voucher program for the qualified housing unit. In issuing tax credits under this  
759 section, the Department of Housing and Community Development shall provide a written certification to the  
760 participating landlord, which certification shall report the amount of the tax credit approved by the  
761 Department. The participating landlord shall attach the certification to the applicable income tax return.

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

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

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

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

781 **§ 58.1-439.12:05. Green and alternative energy job creation tax credit.**

782 A. For taxable years beginning on or after January 1, 2010, but before January 1, ~~2025~~ 2027, a taxpayer  
783 shall be allowed a credit against the tax levied pursuant to § 58.1-320 or 58.1-400 for each new green job  
784 created within the Commonwealth by the taxpayer. The amount of the annual credit for each new green job

785 shall be \$500 for each annual salary that is \$50,000 or more. The credit shall be first allowed for the taxable  
786 year in which the job has been filled for at least one year and for each of the four succeeding taxable years  
787 provided the job is continuously filled during the respective taxable year. Each taxpayer qualifying under this  
788 section shall be allowed the credit for up to 350 green jobs.

789 B. As used in this section:

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

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

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

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

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

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

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

821 **§ 58.1-439.12:08. Research and development expenses tax credit.**

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

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

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

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

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

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

837 "Virginia qualified research and development expenses" means qualified research expenses, as defined in  
838 § 41(b) of the Internal Revenue Code, as amended, incurred for Virginia qualified research.

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

843 development expenses paid or incurred by the taxpayer during the taxable year if the Virginia qualified  
844 research was conducted in conjunction with a public or private institution of higher education in the  
845 Commonwealth, to the extent the expenses exceed the Virginia base amount for the taxpayer.

846 2. For taxable years beginning on or after January 1, 2021, but before January 1, ~~2025~~ 2027, a taxpayer  
847 shall be allowed a credit against the tax levied pursuant to § 58.1-320, 58.1-400, or 58.1-1202 in an amount  
848 equal to (i) 15 percent of the first \$300,000 in Virginia qualified research and development expenses paid or  
849 incurred by the taxpayer during the taxable year or (ii) 20 percent of the first \$300,000 in Virginia qualified  
850 research and development expenses paid or incurred by the taxpayer during the taxable year if the Virginia  
851 qualified research was conducted in conjunction with a public or private institution of higher education in the  
852 Commonwealth, to the extent the expenses exceed the Virginia base amount for the taxpayer.

853 C. 1. Effective for taxable years beginning on or after January 1, 2016, at the election of the taxpayer, the  
854 credit otherwise allowed under this section shall be computed under this subsection and shall equal 10  
855 percent of the difference of (i) the Virginia qualified research and development expenses paid or incurred by  
856 the taxpayer during the taxable year and (ii) 50 percent of the average Virginia qualified research and  
857 development expenses paid or incurred by the taxpayer for the three taxable years immediately preceding the  
858 taxable year for which the credit is being determined. If the taxpayer did not pay or incur Virginia qualified  
859 research and development expenses in any one of the three taxable years immediately preceding the taxable  
860 year for which the credit is being determined, the tax credit shall equal five percent of the Virginia qualified  
861 research and development expenses paid or incurred by the taxpayer during the relevant taxable year.

862 2. The aggregate amount of credits allowed to each taxpayer under this subsection shall not exceed  
863 \$45,000 for the taxable year, except that the aggregate amount of credits allowed to each taxpayer shall not  
864 exceed \$60,000 for the taxable year if the Virginia qualified research was conducted in conjunction with a  
865 public institution of higher education in the Commonwealth or a private institution of higher education in the  
866 Commonwealth.

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

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

871 2. For taxable years beginning on and after January 1, 2016, but before January 1, 2021, the total amount

872 of credits granted for each fiscal year of the Commonwealth beginning with fiscal year 2017 shall not exceed  
873 \$7 million.

874 3. For taxable years beginning on and after January 1, 2021, but before January 1, 2023, the total amount  
875 of credits granted for each fiscal year of the Commonwealth beginning with fiscal year 2022 shall not exceed  
876 \$7.77 million.

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

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

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

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

900 F. If the amount of the credit allowed exceeds the taxpayer's tax liability for the taxable year, the amount

901 that exceeds the tax liability shall be refunded to the taxpayer, subject to the limitations set forth in the  
902 guidelines developed by the Department.

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

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

909 I. Credits granted to a partnership, limited liability company, or electing small business corporation (S  
910 corporation) shall be allocated to the individual partners, members, or shareholders, respectively, in  
911 proportion to their ownership interests in such entities or in accordance with a written agreement entered into  
912 by such individual partners, members, or shareholders, unless the partnership, limited liability company, or  
913 electing small business corporation (S corporation) elects for such credits not to be so allocated but to be  
914 received and claimed at the entity level by the partnership, limited liability company, or electing small  
915 business corporation (S corporation) pursuant to guidelines that shall be issued by the Department for  
916 purposes of such election.

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

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

926 L. The Department shall require taxpayers applying for the credit to provide information including (i) the  
927 number of full-time employees employed by the taxpayer in the Commonwealth during the taxable year for  
928 which the credit is sought; (ii) the taxpayer's sector or sectors according to the 2012 edition of the North  
929 American Industry Classification System (NAICS) as published by the United States Census Bureau; (iii) a



930 brief description of the area, discipline, or field of Virginia qualified research performed by the taxpayer; (iv)  
931 the total gross receipts or anticipated total gross receipts of the taxpayer for the taxable year for which the  
932 credit is sought; and (v) whether the Virginia qualified research was conducted in conjunction with a Virginia  
933 public or private college or university. The Department shall aggregate and summarize the information  
934 collected and make it available to the Governor and any member of the General Assembly upon request,  
935 regardless of the number of taxpayers applying for the credit.

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

940 **§ 58.1-439.12:11. Major research and development expenses tax credit.**

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

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

944 "Virginia qualified research and development expenses" means qualified research expenses, as defined in  
945 § 41(b) of the Internal Revenue Code, as amended, incurred for Virginia qualified research.

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

956 2. For taxable years beginning on or after January 1, 2021, but before January 1, 2023, a taxpayer with  
957 Virginia qualified research and development expenses for the taxable year in excess of \$5 million shall be  
958 allowed a credit against the tax levied pursuant to § 58.1-320, 58.1-400, or 58.1-1202 in an amount equal to

959 10 percent of the difference between (i) the Virginia qualified research and development expenses paid or  
960 incurred by the taxpayer during the taxable year and (ii) 50 percent of the average Virginia qualified research  
961 and development expenses paid or incurred by the taxpayer for the three taxable years immediately preceding  
962 the taxable year for which the credit is being determined. If the taxpayer did not pay or incur Virginia  
963 qualified research and development expenses in any one of the three taxable years immediately preceding the  
964 taxable year for which the credit is being determined, the tax credit shall equal five percent of the Virginia  
965 qualified research and development expenses paid or incurred by the taxpayer during the relevant taxable  
966 year.

967 3. For taxable years beginning on or after January 1, 2023, but before January 1, ~~2025~~ 2027, a taxpayer  
968 with Virginia qualified research and development expenses for the taxable year in excess of \$5 million shall  
969 be allowed a credit against the tax levied pursuant to § 58.1-320, 58.1-400, or 58.1-1202 in an amount equal  
970 to:

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

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

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

983 The aggregate amount of credits allowed to each taxpayer under this subdivision 3 shall not exceed  
984 \$300,000 for the taxable year, except that the aggregate amount of credits allowed to each taxpayer shall not  
985 exceed \$400,000 for the taxable year if the Virginia qualified research was conducted in conjunction with a  
986 public institution of higher education in the Commonwealth or a private institution of higher education in the  
987 Commonwealth.

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

990 2. For taxable years beginning on and after January 1, 2021, but before January 1, 2023, the aggregate  
991 amount of credits granted for each fiscal year of the Commonwealth pursuant to this section shall not exceed  
992 \$24 million.

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

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

999 E. The amount of the credit claimed for the taxable year shall not exceed 75 percent of the total amount of  
1000 tax imposed by this chapter upon the taxpayer for the taxable year. Any credit not usable for the taxable year  
1001 for which the credit was first allowed may be carried over for credit against the income taxes of the taxpayer  
1002 in the next 10 succeeding taxable years or until the total amount of the tax credit has been taken, whichever is  
1003 sooner.

1004 F. Any taxpayer who claims the tax credit for Virginia qualified research and development expenses  
1005 pursuant to this section shall not use such expenses as the basis for claiming any other credit provided under  
1006 the Code of Virginia.

1007 G. Credits granted to a partnership, limited liability company, or electing small business corporation (S  
1008 corporation) shall be allocated to the individual partners, members, or shareholders, respectively, in  
1009 proportion to their ownership interests in such entities or in accordance with a written agreement entered into  
1010 by such individual partners, members, or shareholders.

1011 H. The Department shall develop and publish guidelines under this section including guidelines for  
1012 applying for the tax credit. Such guidelines shall be exempt from the Administrative Process Act (§ 2.2-4000  
1013 et seq.). Applications for the tax credit must be received by the Department no later than September 1 of the  
1014 calendar year following the close of the taxable year in which the expenses were paid or incurred.

1015 The Department shall also adopt guidelines to prescribe standards for determining when research and  
1016 development is considered conducted in the Commonwealth for purposes of allowing the credit under this

1017 section. In adopting guidelines, the Department may consider (i) the location where the research and  
1018 development is performed; (ii) the residence or business location of the taxpayer or taxpayers conducting the  
1019 research and development; (iii) the location where supplies used in the research and development are  
1020 consumed; and (iv) any other factors that the Department deems to be relevant.

1021 I. No tax credit shall be allowed pursuant to this section, if the otherwise qualified research and  
1022 development expenses are paid for or incurred by a taxpayer for research conducted in the Commonwealth on  
1023 human cells or tissue derived from induced abortions or from stem cells obtained from human embryos. The  
1024 foregoing provision shall not apply to research conducted using stem cells other than embryonic stem cells.

1025 **§ 58.1-609.1. Governmental and commodities exemptions.**

1026 The tax imposed by this chapter or pursuant to the authority granted in §§ 58.1-605 and 58.1-606 shall not  
1027 apply to the following:

1028 1. Fuels which are subject to the tax imposed by Chapter 22 (§ 58.1-2200 et seq.). Persons who are  
1029 refunded any such fuel tax shall, however, be subject to the tax imposed by this chapter, unless such taxes  
1030 would be specifically exempted pursuant to any provision of this section.

1031 2. Motor vehicles, trailers, semitrailers, mobile homes and travel trailers.

1032 3. Gas, electricity, or water when delivered to consumers through mains, lines, or pipes.

1033 4. Tangible personal property for use or consumption by the Commonwealth, any political subdivision of  
1034 the Commonwealth, or the United States. This exclusion shall not apply to sales and leases to privately  
1035 owned financial and other privately owned corporations chartered by the United States. Further, this  
1036 exemption shall not apply to tangible personal property which is acquired by the Commonwealth or any of its  
1037 political subdivisions and then transferred to private businesses for their use in a facility or real property  
1038 improvement to be used by a private entity or for nongovernmental purposes other than tangible personal  
1039 property acquired by the Herbert H. Bateman Advanced Shipbuilding and Carrier Integration Center and  
1040 transferred to a Qualified Shipbuilder as defined in the third enactment of Chapter 790 of the 1998 Acts of the  
1041 General Assembly.

1042 5. Aircraft subject to tax under Chapter 15 (§ 58.1-1500 et seq.).

1043 6. a. Motor fuels and alternative fuels for use in a commercial watercraft, as defined in § 58.1-2201, upon  
1044 which a fuel tax is refunded pursuant to § 58.1-2259.

1045 b. Fuels transactions upon which a fuel tax is refunded pursuant to subdivision A 22 of § 58.1-2259.

**1046** 7. Sales by a government agency of the official flags of the United States, the Commonwealth of Virginia,  
**1047** or of any county, city or town.

**1048** 8. Materials furnished by the State Board of Elections pursuant to §§ 24.2-404 through 24.2-407.

**1049** 9. Watercraft as defined in § 58.1-1401.

**1050** 10. Tangible personal property used in and about a marine terminal under the supervision of the Virginia  
**1051** Port Authority for handling cargo, merchandise, freight and equipment. This exemption shall apply to agents,  
**1052** lessees, sublessees or users of tangible personal property owned by or leased to the Virginia Port Authority  
**1053** and to property acquired or used by the Authority or by a nonstock, nonprofit corporation that operates a  
**1054** marine terminal or terminals on behalf of the Authority.

**1055** 11. Sales by prisoners confined in state correctional facilities of artistic products personally made by the  
**1056** prisoners as authorized by § 53.1-46.

**1057** 12. Tangible personal property for use or consumption by the Virginia Department for the Blind and  
**1058** Vision Impaired or any nominee, as defined in § 51.5-60, of such Department.

**1059** 13. [Expired.]

**1060** 14. Tangible personal property sold to residents and patients of the Virginia Veterans Care Center at a  
**1061** canteen operated by the Department of Veterans Services.

**1062** 15. Tangible personal property for use or consumption by any nonprofit organization whose members  
**1063** include the Commonwealth and other states and which is organized for the purpose of fostering interstate  
**1064** cooperation and excellence in government.

**1065** 16. Tangible personal property purchased for use or consumption by any soil and conservation district  
**1066** which is organized in accordance with the provisions of Article 3 (§ 10.1-506 et seq.) of Chapter 5 of Title  
**1067** 10.1.

**1068** 17. Tangible personal property sold or leased to Alexandria Transit Company, Greater Lynchburg Transit  
**1069** Company, GRTC Transit System, or Greater Roanoke Transit Company, or to any other transit company that  
**1070** is owned, operated, or controlled by any county, city, or town, or any combination thereof, that provides  
**1071** public transportation services, and/or tangible personal property sold or leased to any county, city, or town, or  
**1072** any combination thereof, that is transferred to any of the companies set forth in this subdivision owned,  
**1073** operated, or controlled by any county, city, or town, or any combination thereof, that provides public  
**1074** transportation services.

1075 18. [Expired.]

1076 19. Effective through ~~June 30, 2025~~ *January 1, 2027*, gold, silver, or platinum bullion or legal tender  
1077 coins. "Gold, silver, or platinum bullion" means gold, silver, or platinum, and any combination thereof, that  
1078 has gone through a refining process and is in a state or condition such that its value depends on its mass and  
1079 purity and not on its form, numismatic value, or other value. Gold, silver, or platinum bullion may contain  
1080 other metals or substances, provided that the other substances by themselves have minimal value compared  
1081 with the value of the gold, silver, or platinum. "Legal tender coins" means coins of any metal content issued  
1082 by a government as a medium of exchange or payment of debts. "Gold, silver, or platinum bullion" and "legal  
1083 tender coins" do not include jewelry or works of art.

1084 20. Tangible personal property sold by a sheriff at a correctional facility pursuant to § 53.1-127.1 and  
1085 sales of prepared food within such correctional facility.

1086 **§ 58.1-609.6. Media-related exemptions.**

1087 The tax imposed by this chapter or pursuant to the authority granted in §§ 58.1-605 and 58.1-606 shall not  
1088 apply to the following:

1089 1. Leasing, renting or licensing of copyright audio or video tapes, and films for public exhibition at  
1090 motion picture theaters or by licensed radio and television stations.

1091 2. (i) Broadcasting equipment and parts and accessories thereto and towers used or to be used by  
1092 commercial radio and television companies, wired or land-based wireless cable television systems, common  
1093 carriers or video programmers using an open video system or other video platform provided by telephone  
1094 common carriers, or concerns that are under the regulation and supervision of the Federal Communications  
1095 Commission and (ii) amplification, transmission, distribution, and network equipment used or to be used by  
1096 wired or land-based wireless (a) cable television systems, (b) open video systems, or (c) telephone common  
1097 carriers.

1098 3. Any publication issued daily, or regularly at average intervals not exceeding three months, and  
1099 advertising supplements and any other printed matter ultimately distributed with or as part of such  
1100 publications; however, newsstand sales of the same are taxable. As used in this subdivision, the term  
1101 "newsstand sales" shall not include sales of back copies of publications by the publisher or his agent.

1102 4. Catalogs, letters, brochures, reports, and similar printed materials, except administrative supplies, the  
1103 envelopes, containers, and labels used for packaging and mailing same, and paper furnished to a printer for

1104 fabrication into such printed materials, when stored for 12 months or less in the Commonwealth and  
1105 distributed for use without the Commonwealth. As used in this subdivision, "administrative supplies"  
1106 includes, but is not limited to, letterhead, envelopes, and other stationery; and invoices, billing forms, payroll  
1107 forms, price lists, time cards, computer cards, and similar supplies. Notwithstanding the provisions of  
1108 subdivision 5 or the definition of "advertising" contained in § 58.1-602, (i) any advertising business located  
1109 outside the Commonwealth which purchases printing from a printer within the Commonwealth shall not be  
1110 deemed the user or consumer of the printed materials when such purchases would have been exempt under  
1111 this subdivision, and (ii) from July 1, 1995, through June 30, 2002, and beginning July 1, 2002, and ending  
1112 ~~July 1, 2025~~ *January 1, 2027*, any advertising business which purchases printing from a printer within the  
1113 Commonwealth shall not be deemed the user or consumer of the printed materials when such purchases  
1114 would have been exempt under subdivision 3 or this subdivision, provided that the advertising agency shall  
1115 certify to the Tax Commissioner, upon request, that such printed material was distributed outside the  
1116 Commonwealth and such certification shall be retained as a part of the transaction record and shall be subject  
1117 to further review by the Tax Commissioner.

1118 5. Advertising as defined in § 58.1-602.

1119 6. Beginning July 1, 1995, and ending July 1, 2027:

1120 a. (i) The lease, rental, license, sale, other transfer, or use of any audio or video tape, film or other  
1121 audiovisual work where the transferee or user acquires or has acquired the work for the purpose of licensing,  
1122 distributing, broadcasting, commercially exhibiting or reproducing the work or using or incorporating the  
1123 work into another such work; (ii) the provision of production services or fabrication in connection with the  
1124 production of any portion of such audiovisual work, including, but not limited to, scriptwriting, photography,  
1125 sound, musical composition, special effects, animation, adaptation, dubbing, mixing, editing, cutting and  
1126 provision of production facilities or equipment; or (iii) the transfer or use of tangible personal property,  
1127 including, but not limited to, scripts, musical scores, storyboards, artwork, film, tapes and other media,  
1128 incident to the performance of such services or fabrication; however, audiovisual works and incidental  
1129 tangible personal property described in clauses (i) and (iii) shall be subject to tax as otherwise provided in  
1130 this chapter to the extent of the value of their tangible components prior to their use in the production of any  
1131 audiovisual work and prior to their enhancement by any production service; and

1132 b. Equipment and parts and accessories thereto used or to be used in the production of such audiovisual

1133 works.

1134 7. Beginning July 1, 1998, and ending July 1, 2022, textbooks and other educational materials withdrawn  
1135 from inventory at book-publishing distribution facilities for free distribution to professors and other  
1136 individuals who have an educational focus.

1137 **§ 58.1-609.10. Miscellaneous exemptions.**

1138 The tax imposed by this chapter or pursuant to the authority granted in §§ 58.1-605 and 58.1-606 shall not  
1139 apply to the following:

1140 1. Artificial or propane gas, firewood, coal or home heating oil used for domestic consumption. "Domestic  
1141 consumption" means the use of artificial or propane gas, firewood, coal or home heating oil by an individual  
1142 purchaser for other than business, commercial or industrial purposes. The Tax Commissioner shall establish  
1143 by regulation a system for use by dealers in classifying individual purchases for domestic or nondomestic use  
1144 based on the principal usage of such gas, wood, coal or oil. Any person making a nondomestic purchase and  
1145 paying the tax pursuant to this chapter who uses any portion of such purchase for domestic use may, between  
1146 the first day of the first month and the fifteenth day of the fourth month following the year of purchase, apply  
1147 for a refund of the tax paid on the domestic use portion.

1148 2. An occasional sale, as defined in § 58.1-602. A nonprofit organization that is eligible to be granted an  
1149 exemption on its purchases pursuant to § 58.1-609.11, and that is otherwise eligible for the exemption  
1150 pursuant to this subdivision, shall be exempt pursuant to this subdivision on its sales of (i) food, prepared  
1151 food and meals and (ii) tickets to events that include the provision of food, prepared food and meals, so long  
1152 as such sales take place on fewer than 24 occasions in a calendar year.

1153 3. Tangible personal property for future use by a person for taxable lease or rental as an established  
1154 business or part of an established business, or incidental or germane to such business, including a  
1155 simultaneous purchase and taxable leaseback.

1156 4. Delivery of tangible personal property outside the Commonwealth for use or consumption outside of  
1157 the Commonwealth. Delivery of goods destined for foreign export to a factor or export agent shall be deemed  
1158 to be delivery of goods for use or consumption outside of the Commonwealth.

1159 5. Tangible personal property purchased with food coupons issued by the U.S. Department of Agriculture  
1160 under the Food Stamp Program or drafts issued through the Virginia Special Supplemental Food Program for  
1161 Women, Infants, and Children.



1162 6. Tangible personal property purchased for use or consumption in the performance of maintenance and  
1163 repair services at Nuclear Regulatory Commission-licensed nuclear power plants located outside the  
1164 Commonwealth.

1165 7. Beginning July 1, 1997, and ending July 1, 2006, a professional's provision of original, revised, edited,  
1166 reformatted or copied documents, including but not limited to documents stored on or transmitted by  
1167 electronic media, to its client or to third parties in the course of the professional's rendition of services to its  
1168 clientele.

1169 8. School lunches sold and served to pupils and employees of schools and subsidized by government;  
1170 school textbooks sold by a local board or authorized agency thereof; and school textbooks sold for use by  
1171 students attending a college or other institution of learning, when sold (i) by such institution of learning or (ii)  
1172 by any other dealer, when such textbooks have been certified by a department or instructor of such institution  
1173 of learning as required textbooks for students attending courses at such institution.

1174 9. Medicines, drugs, hypodermic syringes, artificial eyes, contact lenses, eyeglasses, eyeglass cases, and  
1175 contact lens storage containers when distributed free of charge, all solutions or sterilization kits or other  
1176 devices applicable to the wearing or maintenance of contact lenses or eyeglasses when distributed free of  
1177 charge, and hearing aids dispensed by or sold on prescriptions or work orders of licensed physicians, dentists,  
1178 optometrists, ophthalmologists, opticians, audiologists, hearing aid dealers and fitters, advanced practice  
1179 registered nurses, physician assistants, and veterinarians; controlled drugs purchased for use by a licensed  
1180 physician, optometrist, licensed advanced practice registered nurse, or licensed physician assistant in his  
1181 professional practice, regardless of whether such practice is organized as a sole proprietorship, partnership, or  
1182 professional corporation, or any other type of corporation in which the shareholders and operators are all  
1183 licensed physicians, optometrists, licensed advanced practice registered nurses, or licensed physician  
1184 assistants engaged in the practice of medicine, optometry, or nursing; medicines and drugs purchased for use  
1185 or consumption by a licensed hospital, nursing home, clinic, or similar corporation not otherwise exempt  
1186 under this section; and samples of prescription drugs and medicines and their packaging distributed free of  
1187 charge to authorized recipients in accordance with the federal Food, Drug, and Cosmetic Act (21 U.S.C.A. §  
1188 301 et seq., as amended).

1189 10. Wheelchairs and parts therefor, braces, crutches, prosthetic devices, orthopedic appliances, catheters,  
1190 urinary accessories, other durable medical equipment and devices, and related parts and supplies specifically

1191 designed for those products; and insulin and insulin syringes, and equipment, devices or chemical reagents  
1192 that may be used by a diabetic to test or monitor blood or urine, when such items or parts are purchased by or  
1193 on behalf of an individual for use by such individual. Durable medical equipment is equipment that (i) can  
1194 withstand repeated use, (ii) is primarily and customarily used to serve a medical purpose, (iii) generally is not  
1195 useful to a person in the absence of illness or injury, and (iv) is appropriate for use in the home.

1196 11. Drugs and supplies used in hemodialysis and peritoneal dialysis.

1197 12. Special equipment installed on a motor vehicle when purchased by an individual with a disability to  
1198 enable such individual to operate the motor vehicle.

1199 13. Special typewriters and computers and related parts and supplies specifically designed for those  
1200 products used by individuals with disabilities to communicate when such equipment is prescribed by a  
1201 licensed physician.

1202 14. a. (i) Any nonprescription drugs and proprietary medicines purchased for the cure, mitigation,  
1203 treatment, or prevention of disease in human beings and (ii) any samples of nonprescription drugs and  
1204 proprietary medicines distributed free of charge by the manufacturer, including packaging materials and  
1205 constituent elements and ingredients.

1206 b. The terms "nonprescription drugs" and "proprietary medicines" shall be defined pursuant to regulations  
1207 promulgated by the Department of Taxation. The exemption authorized in this subdivision shall not apply to  
1208 cosmetics.

1209 15. Tangible personal property withdrawn from inventory and donated to (i) an organization exempt from  
1210 taxation under § 501(c)(3) of the Internal Revenue Code or (ii) the Commonwealth, any political subdivision  
1211 of the Commonwealth, or any school, agency, or instrumentality thereof.

1212 16. Tangible personal property purchased by nonprofit churches that are exempt from taxation under §  
1213 501(c)(3) of the Internal Revenue Code, or whose real property is exempt from local taxation pursuant to the  
1214 provisions of § 58.1-3606, for use (i) in religious worship services by a congregation or church membership  
1215 while meeting together in a single location and (ii) in the libraries, offices, meeting or counseling rooms or  
1216 other rooms in the public church buildings used in carrying out the work of the church and its related  
1217 ministries, including kindergarten, elementary and secondary schools. The exemption for such churches shall  
1218 also include baptistries; bulletins, programs, newspapers and newsletters that do not contain paid advertising  
1219 and are used in carrying out the work of the church; gifts including food for distribution outside the public

1220 church building; food, disposable serving items, cleaning supplies and teaching materials used in the  
1221 operation of camps or conference centers by the church or an organization composed of churches that are  
1222 exempt under this subdivision and which are used in carrying out the work of the church or churches; and  
1223 property used in caring for or maintaining property owned by the church including, but not limited to,  
1224 mowing equipment; and building materials installed by the church, and for which the church does not  
1225 contract with a person or entity to have installed, in the public church buildings used in carrying out the work  
1226 of the church and its related ministries, including, but not limited to worship services; administrative rooms;  
1227 and kindergarten, elementary, and secondary schools.

1228 17. Medical products and supplies, which are otherwise taxable, such as bandages, gauze dressings,  
1229 incontinence products and wound-care products, when purchased by a Medicaid recipient through a  
1230 Department of Medical Assistance Services provider agreement.

1231 18. Beginning July 1, 2007, and ending July 1, 2012, multifuel heating stoves used for heating an  
1232 individual purchaser's residence. "Multifuel heating stoves" are stoves that are capable of burning a wide  
1233 variety of alternative fuels, including, but not limited to, shelled corn, wood pellets, cherry pits, and olive  
1234 pits.

1235 19. Fabrication of animal meat, grains, vegetables, or other foodstuffs when the purchaser (i) supplies the  
1236 foodstuffs and they are consumed by the purchaser or his family, (ii) is an organization exempt from taxation  
1237 under § 501(c)(3) or (c)(4) of the Internal Revenue Code, or (iii) donates the foodstuffs to an organization  
1238 exempt from taxation under § 501(c)(3) or (c)(4) of the Internal Revenue Code.

1239 20. Beginning July 1, 2018, and ending ~~July 1, 2025~~ *January 1, 2027*, parts, engines, and supplies used for  
1240 maintaining, repairing, or reconditioning aircraft or any aircraft's avionics system, engine, or component  
1241 parts. This exemption shall not apply to tools and other equipment not attached to or that does not become a  
1242 part of the aircraft. For purposes of this subdivision, "aircraft" shall include both manned and unmanned  
1243 systems. However, for manned systems, "aircraft" shall include only aircraft with a maximum takeoff weight  
1244 of at least 2,400 pounds.

1245 21. A gun safe with a selling price of \$1,500 or less. For purposes of this subdivision, "gun safe" means a  
1246 safe or vault that is (i) commercially available, (ii) secured with a digital or dial combination locking  
1247 mechanism or biometric locking mechanism, and (iii) designed for the storage of a firearm or of ammunition  
1248 for use in a firearm. "Gun safe" does not include a glass-faced cabinet. Any discount, coupon, or other credit

**1249** offered by the retailer or a vendor of the retailer to reduce the final price to the customer shall be taken into  
**1250** account in determining the selling price for purposes of this exemption.

**1251** 22. Beginning July 1, 2022, and ending ~~July 1, 2025~~ *January 1, 2027*, prescription medicines and drugs  
**1252** purchased by veterinarians and administered or dispensed to patients within a veterinarian-client-patient  
**1253** relationship as defined in § 54.1-3303.