

2026 SESSION

INTRODUCED

26103087D

1 **HOUSE BILL NO. 504**

2 Offered January 14, 2026

3 Prefiled January 12, 2026

4 *A BILL to amend the Code of Virginia by adding in Article 3 of Chapter 3 of Title 58.1 a section numbered*
5 *58.1-339.15, relating to income tax; small business tax credit.*

6 Patron—McAuliff

7 Committee Referral Pending

8 **Be it enacted by the General Assembly of Virginia:**

9 **1. That the Code of Virginia is amended by adding in Article 3 of Chapter 3 of Title 58.1 a section**
10 **numbered 58.1-339.15 as follows:**

11 **§ 58.1-339.15. Small business tax credit.**

12 **A. For the purposes of this section, "eligible small business" means a business in the retail trade (NAICS**
13 **44 and 45) or the accommodation and food services (NAICS 72) industries that meets the size standards set**
14 **by the U.S. Small Business Administration for such industry and, during the taxable year for which a credit is**
15 **claimed pursuant to this section, (i) commenced operations and (ii) leased or purchased a place of business**
16 **in a designated Virginia Main Street Community, as defined by the Department of Housing and Community**
17 **Development.**

18 **B. For taxable years beginning on and after January 1, 2026, but before January 1, 2031, an eligible**
19 **small business shall be allowed a nonrefundable credit against the tax levied pursuant to § 58.1-320 or**
20 **58.1-400 in an amount equal to \$2,500. The credit shall only be claimed one time per taxpayer. The**
21 **aggregate amount of credits allowable under this section shall not exceed \$5 million per taxable year.**
22 **Credits shall be allocated by the Department on a first-come, first-served basis.**

23 **C. The amount of the credit claimed shall not exceed the total amount of tax imposed by this chapter upon**
24 **the taxpayer for the taxable year. Any credit not usable for the taxable year for which the credit was first**
25 **allowed may be carried over for credit against the income taxes of the taxpayer in the next five succeeding**
26 **taxable years or until the total amount of the tax credit has been taken, whichever is sooner.**

27 **D. Credits granted to a partnership, limited liability company, or electing small business corporation (S**
28 **corporation) shall be allocated to the individual partners, members, or shareholders, respectively, in**
29 **proportion to their ownership or interest in such business entities.**

30 **E. The Tax Commissioner shall develop guidelines implementing the provisions of this section. The**
31 **guidelines shall include procedures for the allocation of tax credits among participating taxpayers. Such**
32 **guidelines shall be exempt from the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).**

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