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HOUSE BILL NO. 1461

Offered January 23, 2026

A BILL to amend the Code of Virginia by adding in Article 13 of Chapter 3 of Title 58.1 a section numbered 58.1-439.12:13, relating to microchip and semiconductor manufacturing and supply chain tax credits.

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Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Article 13 of Chapter 3 of Title 58.1 a section numbered 58.1-439.12:13, as follows:

§ 58.1-439.12:13. Microchip and semiconductor manufacturing and supply chain tax credits; report.

A. For purposes of this section:

"Capital investment" means an expenditure by or on behalf of a qualified company on or after July 1, 2026, in real property, tangible personal property, or both, at a facility in Virginia that is properly chargeable to a capital account. The purchase or lease of furniture, fixtures, business personal property, machinery, and tools, including under any operating lease, and expected building construction and upfit by or on behalf of a qualified company shall qualify as capital investment.

"Eligible project" means a project (i) in Virginia by a qualified company in the semiconductor manufacturing and related equipment and material supplies sector for which a memorandum of understanding has been entered into; (ii) that includes sustainability measures to mitigate the impact of greenhouse gas emissions over the project's lifetime; (iii) that provides project construction salaries that are no less than the prevailing average wage in the locality in which the facility is located; (iv) that includes commitments to workforce development, education, childcare, and community investment, which shall include training and education benefits paid by the qualified company to expand employment opportunities for residents of the Commonwealth; (v) that creates or causes to be created at least 100 new jobs within 10 years of project commencement; and (vi) that provides a capital investment of at least \$400 million within 10 years of project commencement.

"Facility" means the building, group of buildings, or corporate campus, including any related machinery, equipment and tools, furniture, fixtures, and business personal property, that is located at or near a qualified company's operations in Virginia and is owned, leased, licensed, occupied, or otherwise operated by a qualified company as a temporary or permanent manufacturing and distribution facility for use in the administration, management, and operation of its business.

"Memorandum of understanding" means a performance agreement or related documents entered into by a qualified company, the Commonwealth, and the Virginia Economic Development Partnership Authority that sets forth the requirements for capital investment and the creation of new full-time jobs by a qualified company in order for a qualified company to be eligible for the tax credits under this section.

"New job" means a new, permanent full-time position of an indefinite duration created by the qualified company as a result of capital investment for an eligible project in the Commonwealth, requiring a minimum of 35 hours of an employee's time a week for the entire normal year of the company's operations, which "normal year" shall consist of at least 48 weeks, or a position of indefinite duration that requires a minimum of 35 hours of an employee's time a week for the portion of the taxable year in which the employee was initially hired by the qualified company for work in the Commonwealth. Seasonal or temporary positions, or a job created when a job function is shifted from an existing location in the Commonwealth to the qualified company, and positions in building and grounds maintenance, security, and other such positions that are ancillary to the principal activities performed by the employees for the qualified company in the Commonwealth shall not qualify as a new job.

"Qualified company" means a company, including its affiliates, that engages in the microchip and semiconductor manufacturing and related equipment and material supplies sector and that between January 1, 2026, and December 31, 2036, (i) makes a capital investment of at least \$400 million, (ii) creates at least 100 new jobs related to or supportive of its business, (iii) pays an average salary of at least the prevailing wage for any jobs associated with the construction of a facility, and (iv) submits a community investment plan and commits to contributing at least \$50 million within 10 years of eligible project commencement to implement such plan. A "qualified company" shall be deemed to be engaged in manufacturing for purposes of Chapter 35 (§ 58.1-3500 et seq.) of Title 58.1.

B. 1. Notwithstanding any other provision of law, for taxable years beginning on or after January 1, 2026, but before January 1, 2031, a qualified company with capital investment expenditures incurred for an eligible project during the taxable year shall be allowed a refundable credit against the tax levied pursuant to

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59 § 58.1-320 or 58.1-400 in an amount equal to five percent of such expenditures that were paid or incurred by
60 the taxpayer during such taxable year.

61 2. Notwithstanding any other provision of law, for taxable years beginning on or after January 1, 2026,
62 but before January 1, 2031, a qualified company shall be allowed a refundable credit against the tax levied
63 pursuant to § 58.1-320 or 58.1-400 in an amount equal to six percent of child care services expenditures that
64 were paid or incurred by the taxpayer during such taxable year.

65 3. Notwithstanding any other provision of law, for taxable years beginning on or after January 1, 2026,
66 but before January 1, 2031, a qualified company shall be allowed a refundable credit against the tax levied
67 pursuant to § 58.1-320 or 58.1-400 in an amount equal to 7.5 percent of gross wages for each new job that
68 were paid by the taxpayer during such taxable year.

69 C. If the amount of the credits exceeds the qualified company's liability for such taxable year, the excess
70 shall be refunded by the Tax Commissioner. Tax credits shall be refunded by the Tax Commissioner on behalf
71 of the Commonwealth for 100 percent of face value. Tax credits shall be refunded within 90 days after the
72 filing date of the income tax return on which the taxpayer applies for the refund.

73 D. Any taxpayer who claims a tax credit for capital investment expenditures, child care services
74 expenditures, or expenditures for the gross wages of new jobs in an eligible project pursuant to this section
75 shall not use such expenditures as the basis for claiming any other credit or tax benefit provided under the
76 Code of Virginia.

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

81 F. The Department shall develop and publish guidelines under this section, including guidelines for
82 applying for the tax credits. Such guidelines shall be exempt from the Administrative Process Act (§ 2.2-4000
83 et seq.). Applications for the tax credits shall be received by the Department no later than February 1 of the
84 calendar year following the close of the taxable year in which the expenditures in an eligible project were
85 paid or incurred.

86 G. 1. A qualified company shall be required to submit and receive approval for a community investment
87 plan to receive any of the tax credits allowed pursuant to this section. Such plan shall be submitted in a
88 manner and form prescribed by the Department and approved at the sole discretion of the Department. The
89 Department may consult with the Virginia Economic Development Partnership Authority, other state
90 agencies, authorities, and stakeholders, and any host municipalities regarding such plan to ensure that the
91 areas of investment included in the plan are aligned with local needs. Such plan shall include milestones and
92 specific, actionable commitments for worker and community investments that may include training and
93 education benefits paid by the qualified company to support local workforce development and employment
94 opportunities for local residents, including economically disadvantaged individuals, over the eligible project
95 lifetime.

96 2. Following project commencement, the qualified company shall submit an annual report to the
97 Department in a manner and form prescribed by the Department detailing the performance of the eligible
98 project against the milestones and commitments of its community investment plan submitted pursuant to
99 subdivision 1.