

DEPARTMENT OF TAXATION

2026 Fiscal Impact Statement

1. Patron Jennifer Carroll Foy

2. Bill Number SB 786

3. Committee Senate Finance and Appropriations

House of Origin:

Introduced
 Substitute
 Engrossed

4. Title Microchip and semiconductor manufacturing and supply chain tax credits; Virginia Economic Development Partnership Authority evaluation; report.

Second House:

In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would establish three refundable tax credits for qualified semiconductor manufacturing companies equal to:

- 5 percent of capital expenditures,
- 6 percent of childcare service expenditures, and
- 7.5 percent of wages paid for new jobs.

Eligible companies must invest at least \$400 million and create at least 100 new jobs in Virginia between 2026 and 2036. To qualify, projects must meet sustainability, wages, workforce development, and community investment requirements, including a \$50 million community investment plan.

This bill would also require the Virginia Economic Development Partnership (“VEDP”), in collaboration with the Joint Legislative Audit and Review Commission (“JLARC”) and the Department of Taxation (“the Department”), to evaluate the program’s impact and report to the General Assembly no later than November 30, 2026.

This bill would be effective for taxable years beginning on and after January 1, 2026, but before January 1, 2031.

6. Budget amendment necessary: Yes.

Item(s): 261 and 263 Department of Taxation

7. Fiscal Impact. Preliminary. (See Line 8.)

7a. Expenditure Impact:

Fiscal Year	Dollars	Positions	Fund
2026-27	\$524,720	1	GF
2027-28	\$88,800	1	GF
2028-29	\$88,800	1	GF
2029-30	\$88,800	1	GF
2030-31	\$88,800	1	GF

8. Fiscal implications:

Administrative Costs

The Department would incur estimated expenditures as shown above. Such costs would primarily consist of updating the Department's forms and systems to implement the credit and one new full-time employee to administer it.

Because of the implementation and release schedule for the Integrated Revenue Management System ("IRMS") replacement project, this legislation will not be impacted by such project if enacted during the 2026 Regular Session of the General Assembly. For more information on the new system implementation releases, see the [2025 Status Report on the Replacement of the Integrated Revenue Management System](#) (IRMS).

Revenue Impact

This bill would have a potentially significant unknown negative General Fund revenue impact beginning in Fiscal Year 2027. This bill would create three refundable credits: a 5 percent of capital investment credit, a 6 percent of childcare services spending credit, and a 7.5 percent of wages for new jobs credit. Since data on proposed capital investment expenditures, childcare costs, gross wages for new jobs are unavailable, the amount of tax credits that could be claimed under this bill cannot be determined, resulting in an unknown revenue loss.

The 5 percent credit is based upon making capital investment expenditures during the year. To qualify under this bill for any of its credits, a company must make eligible investments during Taxable Years 2026 through 2030 of at least \$400 million. Therefore, if one company only makes the minimum \$400 million investment and given the 5 percent credit rate, that would result in \$20 million revenue loss. However, the actual revenue impact is unknown and could be greater as it is unknown how many taxpayers would qualify and whether they would invest more than the \$400 million minimum investment.

The 7.5 percent credit is based upon gross wages paid during the year. To qualify under the bill for any of its credits, a company must hire at least 100 full-time employees. Therefore, if one company hires the minimum number of employees and pays them \$70,000 each, given the 7.5 percent credit rate, that would result in \$525,000 revenue loss. However, the actual revenue impact is unknown and could be greater as it is unknown how many taxpayers would qualify and whether they would hire more than the 100 full-time employees required by the bill.

The 6 percent credit is based upon child care services expenditures paid during the year. Because the bill would not set any minimum threshold for such expenditures, a potential minimum negative revenue impact for the 6 percent credit cannot be determined.

9. Specific agency or political subdivisions affected:

Virginia Economic Development Partnership
Joint Legislative Audit and Review Commission
Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Proposal

This bill would establish three refundable tax credits for qualified semiconductor manufacturing companies equal to:

- 5 percent of capital expenditures,
- 6 percent of childcare services, and
- 7.5 percent of wages paid for new jobs.

Eligible companies must invest at least \$400 million and create at least 100 new jobs in Virginia between 2026 and 2036. To qualify, projects must meet sustainability, wage, workforce development, and community investment requirements, including a \$50 million community investment plan.

This bill would also require the Virginia Economic Development Partnership (“VEDP”), in collaboration with the Joint Legislative Audit and Review Commission (“JLARC”) and the Department of Taxation (“the Department”), to evaluate the program’s impact and report to the General Assembly no later than November 30, 2026.

“Qualified company” would mean a company (including its affiliates) in the semiconductor manufacturing or related equipment or materials industry that, between 2026 and 2036, invests at least \$400 million in Virginia, creates at least 100 new jobs, pays prevailing construction wages, and commits at least \$50 million to a community investment plan in Virginia.

“Eligible project” would mean a semiconductor-related project in Virginia by a qualified company that is covered by a signed memorandum of understanding with the state; includes environmental sustainability measures and support for workforce development, child care, housing, and education in the local community; pays construction workers at least the local average wage; commits to worker training and community investment, especially for economically disadvantaged individuals; creates at least 100 new jobs within 10 years, and makes at least \$400 million in capital investment within 10 years.

“Capital investment” would mean expenditures on or after July 1, 2026, for long-term real or tangible personal property, including construction and equipment, at a qualified company’s Virginia facility.

“New job” would mean a permanent, full-time position created in Virginia as a result of the eligible project, requiring at least 35 hours per week for at least 48 weeks per year (or the portion of the year after hiring). It must be a newly created role, not a seasonal or

temporary job, not a relocated job from another Virginia site, and not a support role such as maintenance or security.

"Child care services expenditure" would mean new annual expenditures by a qualified company for employee child care services, whether provided in-house or by a third party, reduced by any related revenues received from operators or employees.

"Facility" would mean the buildings or corporate campus in Virginia, including related equipment and business property, that a qualified company owns or uses for manufacturing, distribution, and business operations.

"Memorandum of understanding" would mean a formal agreement between the qualified company, the Commonwealth, the VEDP setting forth the investment and job-creation requirements to be eligible for the tax credits.

This bill would be effective for taxable years beginning on and after January 1, 2026, but before January 1, 2031.

Similar Bills

HB 1461 is substantially similar to this bill, except that it does not include the requirement for a formal evaluation or reporting on the effectiveness of the incentives.

cc : Secretary of Finance

Date: 02/02/2026 SJH
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