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HOUSE BILL NO. 504

Offered January 14, 2026

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

Patron—McAuliff

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 3 of Chapter 3 of Title 58.1 a section numbered 58.1-339.15 as follows:

§ 58.1-339.15. Small business tax credit.

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

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

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

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

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

INTRODUCED

HB504