

## **ECONOMIC DEVELOPMENT INCENTIVES**

### *Infrastructure and Regional Incentives, 2020*

#### **RECOMMENDATIONS**

**Eliminating coalfield tax credit** ► The General Assembly may wish to consider eliminating the Coalfield Employment Enhancement Tax Credit. (Recommendation 1)

**Eliminating coal production tax credit** ► The General Assembly may wish to consider eliminating the Coal Production and Employment Incentive Tax Credit. (Recommendation 2)

**Real Property Investment Grant eligibility** ► If the General Assembly decides to maintain the Real Property Investment Grant, it may wish to consider amending § 59.1-548 of the Code of Virginia to restrict awards to projects in higher multiplier, export-base industries or to projects that would contribute to community revitalization. (Recommendation 4)

**Road access grant program criteria** ► The General Assembly may wish to consider amending § 33.2-1509 of the Code of Virginia to direct the Commonwealth Transportation Board, in consultation with the Secretary of Transportation and Secretary of Commerce and Trade, to develop guidelines and criteria for awarding grants from the Economic Development Access Program that include provisions for the number of jobs, capital investment, or other relevant criteria, in addition to the existing export-base requirement. (Recommendation 12)

**Road access grant program administration** ► The General Assembly may wish to consider amending § 33.2-1509 of the Code of Virginia to remove the requirement for the Virginia Economic Development Partnership to consult with the Department of Small Business and Supplier Diversity to determine if projects seeking an award from the Economic Development Access Program are basic employers. (Recommendation 16)

#### **POLICY OPTIONS**

**Eliminating the Real Property Investment Grant** ► The General Assembly could consider eliminating the Real Property Investment Grant by repealing § 59.1-548 of the Code of Virginia. (Option 1)

**Criteria for recapturing road and rail access program grant awards** ► The General Assembly could consider amending the Code of Virginia to require that job creation performance be one of the factors considered to determine if grant awards from the Economic Development Access Program and Rail Industrial Access Program should be recaptured. (Option 3)

## *Data Center and Manufacturing Incentives, 2019*

### **RECOMMENDATIONS**

**Data centers in distressed areas** ► The General Assembly may wish to consider amending § 58.1-609.3 of the Code of Virginia to further reduce or remove the minimum job creation requirement of the sales and use tax exemption for data centers locating in a distressed area or an enterprise zone. (Recommendation 1)

**Data center work group** ► The General Assembly may wish to consider including language in the Appropriation Act directing the Secretary of Finance to convene a work group consisting of the Secretaries of Transportation, Commerce and Trade, and Administration; the staff directors of the House Appropriations Committee and Senate Finance Committee, or their designee; and other relevant agency stakeholders to conduct a data center industry study to examine actions that could be taken to maintain the state's competitive position to attract data centers and examine whether the opportunity exists to reduce the level of the exemption without adversely affecting industry growth. (Recommendation 2)

**Impact of data center exemption** ► The General Assembly may wish to amend § 58.1-609.3 of the Code of Virginia to require that (1) all data centers using the data center sales and use exemption be required to submit an annual report including their employment level, capital investment, and tax benefit to the Virginia Economic Development Partnership (VEDP) and (2) the Department of Taxation (TAX), in consultation with VEDP, publish an annual report on the data center exemption which should include, at a minimum, aggregate information on qualifying expenses that were exempt from the retail sales and use tax and the total value of the tax benefit. (Recommendation 3)

**Alignment of custom grants with targets and plans** ► The General Assembly may wish to consider amending § 30-312 of the Code of Virginia to require that information on how custom grants align with state and regional target industries and strategic economic development plans be included in the annual report of the Major Employment and Investment Project Approval Commission. (Recommendation 5)

**Eliminating green jobs and energy tax credits** ► The General Assembly may wish to consider eliminating the Green Job Creation Tax Credit and the Biodiesel and Green Diesel Fuel Producers Tax Credit. (Recommendation 8)

### **POLICY OPTION**

**Pollution control equipment exemption** ► The General Assembly could amend § 58.1-609.3 or § 58.1-3660 of the Code of Virginia to clarify that the equipment or facility does not need to be constructed before certification can be granted for purposes of claiming the Pollution Control Equipment and Facilities Sales Tax Exemption. (Option 1)

*Note: The 2020 General Assembly (HB 1173) implemented this option for pollution control equipment used in a locality's water, storm-water, wastewater, or solid waste management facilities, but the law does not apply to other pollution control equipment.*

### ***Workforce and Small Business Incentives, 2018***

#### **RECOMMENDATIONS**

**Workforce and small business incentives** ► The General Assembly may wish to consider amending the Code of Virginia to increase the minimum wage requirements for the Virginia Jobs Investment Program. (Recommendation 1)

*Note: This recommendation previously also applied to the Small Business Job Grant. However, the 2020 General Assembly (HB 1505) eliminated the Small Business Job Grant.*

**Small business incentives** ► The General Assembly may wish to consider amending § 2.2-1616 of the Code of Virginia to direct the Virginia Small Business Financing Authority (VSBFA) to develop and use a scoring system to (i) award the Small Business Investment Grant and (ii) set the reimbursement rate for each award. The scoring system should be based on project characteristics and other criteria as determined by VSBFA. (Recommendation 6)

#### **POLICY OPTION**

**Small business incentives** ► The General Assembly could amend § 2.2-1616 of the Code of Virginia to (i) make professional investors eligible for Small Business Investment Grant funding and (ii) impose a minimum investment threshold. (Option 2)

### ***Film Incentives, 2017***

#### **RECOMMENDATION**

**Film incentives** ► If the General Assembly decides to maintain the film incentive program in Virginia, the General Assembly may wish to consider amending the Code of Virginia to repeal § 58.1-439.12:03, which establishes the Motion Picture Production Tax Credit, and to incorporate the tax credit criteria and reimbursement rate provisions into § 2.2-2320, which establishes the Governor's Motion Picture Opportunity Fund. (Recommendation 1)

## **POLICY OPTIONS**

**Film incentives** ► The General Assembly could consider eliminating the Motion Picture Production Tax Credit and the Governor’s Motion Picture Opportunity Fund. (Option 1)

**Film incentives** ► The General Assembly could consider maintaining a film incentive program in Virginia and making substantive changes to improve the effectiveness and the economic benefit of the program. (Option 2)