

ECONOMIC DEVELOPMENT INCENTIVES

Trade and Transportation Incentives, 2021

RECOMMENDATIONS

Eliminating railroad rolling stock exemption ► The General Assembly may wish to consider eliminating the railroad rolling stock exemption (Recommendation 1).

Eligibility for aircraft parts, engines and supplies exemption ► If the General Assembly extends the expiration of the aircraft parts, engines, and supplies exemption, it may wish to consider amending § 58.1-609.10 of the Code of Virginia to restrict eligibility of the exemption to certified Federal Aviation Administration repair facilities in the state or maintenance, repair, and overhaul facilities that employ a minimum number of workers. (Recommendation 2)

Eligibility for aircraft parts, engines, and supplies exemption ► If the General Assembly extends the expiration of the aircraft parts, engines, and supplies exemption, it may wish to consider amending § 58.1-609.10 of the Code of Virginia to restrict eligible aircraft to licensed or nonscheduled airline carriers, or to a minimum take-off weight threshold, to exclude repairs to personal use aircraft from qualifying for the exemption. (Recommendation 3)

Targeting port incentives to export cargo ► The General Assembly may wish to consider amending sections §§ 58.1-439.12:06, 58.1-439.12:10, and 62.1-132.3:2 of the Code of Virginia to better target the International Trade Facility Tax Credit, Port Volume Increase Tax Credit, and Port of Virginia Economic and Infrastructure Development Grant, respectively, to export cargo. (Recommendation 4)

Converting port tax credit into a grant ► The General Assembly may wish to consider amending § 58.1-439.12:10 of the Code of Virginia to convert the Virginia Port Volume Increase Tax Credit to a grant to increase its usability and to better target it to companies in geographic regions and industries less likely to use Virginia ports. (Recommendation 6)

Incentivizing job creation with International Trade Facility Tax Credit ► The General Assembly may wish to consider amending § 58.1-439.12:06 of the Code of Virginia to increase the value of the International Trade Facility Tax Credit for job creation. (Recommendation 7)

Infrastructure and Regional Incentives, 2020

RECOMMENDATIONS

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 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

Staff typically propose policy options rather than make recommendations when (i) the action is a policy judgment best made by elected officials—especially the General Assembly, (ii) evidence suggests action could potentially be beneficial, or (iii) a report finding could be addressed in multiple ways.

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 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)

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)