

## **ECONOMIC DEVELOPMENT INCENTIVES**

### *Location and Expansion Incentives, 2023*

#### **RECOMMENDATIONS**

**Eliminating the Major Eligible Employer Grant Program** ► The General Assembly may wish to consider eliminating the Major Eligible Employer Grant Program. (Recommendation 1)

**Allowing expiration of New Company Incentive Program** ► The General Assembly may wish to consider allowing the New Company Incentive Program to expire on January 1, 2025. (Recommendation 2)

**Timing of grant payouts** ► The General Assembly may wish to consider amending § 2.2-5101 and § 2.2-5102.1 of the Code of Virginia to allow payouts for the Virginia Investment Performance Grant and the Virginia Economic Development Incentive Grant to be paid out beginning in the first year after performance. (Recommendation 3)

**Wage requirement for the Virginia Investment Performance Grant** ► The General Assembly may wish to consider amending § 2.2-5101 of the Code of Virginia to require that projects seeking grants from the Virginia Investment Performance Grant be required to pay at least the prevailing average wage when job creation is included in the Virginia Economic Development Partnership's award determination. (Recommendation 4)

**Improvements to the Major Business Facility Job Tax Credit** ► The General Assembly may wish to consider amending § 58.1-439 of the Code of Virginia to (i) require that businesses eligible for the Major Business Facility Job Tax Credit be export-base (basic) employers and pay wages that meet or exceed a certain wage threshold, and (ii) adopt an annual program cap or annual per taxpayer cap. (Recommendation 5)

**Improvements to the Major Business Facility Job Tax Credit** ► The General Assembly may wish to consider amending § 58.1-439 of the Code of Virginia to require that the Virginia Economic Development Partnership approve Major Business Facility Job Tax Credit applications, ensure that tax credit recipients are compliant with maintaining the incentivized jobs, and determine when recapture or reduction of tax credit amounts is warranted. (Recommendation 6)

**Expiration of the Major Business Facility Job Tax Credit** ► If the recommendation to improve the Major Business Facility Job Tax Credit is not adopted, the General Assembly may wish to consider allowing the tax credit to expire on June 30, 2025. (Recommendation 7)

**Wage threshold for the Agricultural and Forestry Industries Development Fund Facility Grant** ► The General Assembly may wish to consider amending § 3.2-305 of the Code of Virginia to require that guidelines for the Agriculture and Forestry Industries Development Fund Facility Grant include a wage threshold for jobs created as part of the grant project. (Recommendation 9)

**Eliminating the Farm Wineries and Vineyards Tax Credit** ► The General Assembly may wish to consider eliminating the Farm Wineries and Vineyards Tax Credit. (Recommendation 12)

**Eliminating the Collaborative Development Performance Grant** ► The General Assembly may wish to consider eliminating the Collaborative Economic Development Performance grant. (Recommendation 13)

### *Science and Technology Incentives, 2022*

#### **RECOMMENDATIONS**

**Prioritizing R&D tax credits for small companies** ► The General Assembly may wish to consider prioritizing Virginia's research and development tax credits for smaller companies by amending §§ 58.1-439.12:08 and 58.1-439.12:11 of the Code of Virginia to either (i) reallocate a portion of the Major Research and Development Tax Credit to the Research and Development Expenses Tax Credit cap or (ii) combine the two credits and give smaller companies priority for awards. (Recommendation 1)

**Step-rate reimbursement for major R&D tax credit** ► The General Assembly may wish to consider amending § 58.1-439.12:11 of the Code of Virginia to adopt a step-rate reimbursement structure for the Major Research and Development Tax Credit. (Recommendation 2)

**Company-level cap for major R&D tax credit** ► The General Assembly may wish to consider amending § 58.1-439.12:11 of the Code of Virginia to adopt an annual company-level cap for the Major Research and Development Tax Credit. (Recommendation 3)

**Incentivizing R&D partnerships with higher education institutions** ► The General Assembly may wish to consider amending § 58.1-439.12:11 of the Code of Virginia to prioritize research conducted with Virginia higher education institutions for the Major Research and Development Tax Credit by providing a higher company level cap for awards for such research. (Recommendation 4)

**Eliminating angel investor tax credit** ► The General Assembly may wish to consider eliminating the Qualified Equity and Subordinated Debt Investments Tax Credit by repealing § 58.1-339.4 of the Code of Virginia. (Recommendation 5)

**Not renewing long-term capital gains and venture capital subtractions** ► The General Assembly may wish to consider not renewing the investment periods for the (i) long-term capital gains subtraction, which ended June 30, 2020, and (ii) venture capital subtraction, which will end December 31, 2023. (Recommendation 6)

**Eliminating Zero G Zero income tax subtractions** ► The General Assembly may wish to consider amending §§ 58.1-322 and 58.1-402 of the Code of Virginia to eliminate the Zero G Zero Tax income tax subtractions after the current contract to resupply the International Space Station expires. (Recommendation 7)

**Additional information in Virginia Commercial Space Flight Authority annual report** ► The General Assembly may wish to consider amending § 2.2-2213 of the Code of Virginia to require the Virginia Commercial Space Flight Authority to include in its annual report a summary of (i) its six-year strategic plan, (ii) how available state funds have been spent to achieve the strategic plan goals to date, and (iii) the extent to which the strategic plan goals have been achieved to date. (Recommendation 8)

### *Trade and Transportation Incentives, 2021*

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

**Restricting 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)

**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)

### **POLICY OPTION**

**Eliminating airline common carrier exemption** ► The General Assembly could consider eliminating the airline common carrier exemption (Option 1).

## *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**

**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)