

Appendix C: Economic benefits and return in revenue for all Virginia incentives reviewed to date

Economic development incentives vary in their economic benefit and return in revenue to the state. To provide context to the economic benefits and return in revenue generated by each incentive, incentives have been categorized as having a negligible, low, moderate, or high economic benefit and return in revenue. To determine the category, each incentive is scored from 0 to three on four measures: the amount of jobs, Virginia GDP, and personal income generated per \$1 million spent on the incentive and the return in revenue generated per \$1 spent on the incentive. The scoring is based on the distribution of all 75 incentives reviewed to date for each of the four measures, with a score of '0' meaning the incentive fell below the 25th percentile (or first quartile) of the distribution for the measure and a score of 'three' meaning the incentive was in the highest quartile (above the 75th percentile) for the measure.

The scores for the three measures of economic benefits (jobs, Virginia GDP, and personal income) were averaged to arrive at an overall average score for economic benefits for each incentive. Incentives with average scores for the three measures near '0' were categorized as having negligible economic benefits relative to other incentives. Incentives with average scores near '1', '2', or '3' were categorized as having low, moderate, or high economic benefits, respectively, relative to other incentives. For return in revenue, an incentive with a '0' score on that measure was categorized as having a negligible return in revenue relative to other incentives. An incentive with a score of '1', '2', or '3' was categorized as having a low, moderate, or high return in revenue, respectively, relative to other incentives.

An incentive's category may change over time. Seventy-five of about 80 Virginia economic development incentives have been evaluated so far, and because incentives are categorized relative to other incentives evaluated, incentives may change categories as additional incentives are evaluated each year. Once all incentives are evaluated, re-evaluation of incentives will begin. The category may change for re-evaluated incentives because of new or improved outcomes data, program changes, and changes to the state economy and industry mix.

Of the incentives evaluated through the first half of 2024, grants tend to generate moderate or relatively high economic benefits and returns in revenue. Tax incentives tend to generate low or negligible economic benefits and returns in revenue (Table C-1). Grant programs have higher economic benefits than other types of incentives because a higher percentage of grant funding is directed to corporate headquarters or businesses in manufacturing industries, which generally have high economic multipliers and pay higher wages. In addition, businesses that receive grants must agree to create jobs and make capital investments and usually make above minimum job creation and capital investment levels, but other incentives may not have similar requirements for businesses to receive an award.

TABLE C-1
Grants tend to generate higher economic benefits and returns in revenue than tax incentives

| Incentive | Incentive type | Economic benefits | Return in state revenue |
|--|-----------------------|--------------------------|--------------------------------|
| Aircraft parts, engines, and supplies exemption | Exemption | ●○○○○ | ●○○○○ |
| Airline common carrier exemption | Exemption | ●○○○○ | ●○○○○ |
| Coal Employment and Production Incentive Tax Credit ^a | Tax credit | ●○○○○ | ●○○○○ |
| Coalfield Employment Enhancement Tax Credit ^a | Tax credit | ●○○○○ | ●○○○○ |
| Farm Wineries and Vineyard Tax Credit | Tax credit | ●○○○○ | ●○○○○ |
| Film exemption | Exemption | ●○○○○ | ●○○○○ |
| Green Job Tax Credit | Tax credit | ●○○○○ | ●○○○○ |
| Major Research and Development Tax Credit | Tax Credit | ●○○○○ | ●○○○○ |
| Qualified Business Long-Term Capital Gains Subtraction | Subtraction | ●○○○○ | ●○○○○ |
| Qualified Equity and Subordinated Debt Investment Tax Credit (angel investment tax credit) | Tax credit | ●○○○○ | ●○○○○ |
| R&D exemption | Exemption | ●○○○○ | ●○○○○ |
| R&D expenses tax credit | Tax Credit | ●○○○○ | ●○○○○ |
| Railroad rolling stock exemption | Exemption | ●○○○○ | ●○○○○ |
| Recyclable Materials Tax Credit | Tax credit | ●○○○○ | ●○○○○ |
| Ships and vessels exemption | Exemption | ●○○○○ | ●○○○○ |
| Spaceport users exemption | Exemption | ●○○○○ | ●○○○○ |
| Telework Tax Credit ^a | Tax credit | ●○○○○ | ●○○○○ |
| Zero G Zero Tax resupply subtraction | Subtraction | ●○○○○ | ●○○○○ |
| Pollution control equipment exemption | Exemption | ●○○○○ | ●○○○○ |
| Semiconductor manufacturing exemption | Exemption | ●○○○○ | ●○○○○ |
| Biodiesel and Green Diesel Tax Credit | Tax credit | ●○○○○ | ●●○○○ |
| Blue Star ^b | Grant | ●○○○○ | ●●○○○ |
| Transportation Partnership Opportunity Fund | Grant | ●●○○○ | ●○○○○ |
| Commonwealth Commercialization Fund ^c | Grant | ●●○○○ | ●●○○○ |
| Motion Picture Production Tax Credit | Tax credit | ●●○○○ | ●●○○○ |
| Railroad common carrier exemption | Exemption | ●●○○○ | ●●○○○ |
| Semiconductor wafer exemption | Exemption | ●●○○○ | ●●○○○ |

| Incentive | Incentive type | Economic benefits | Return in state revenue |
|---|----------------|-------------------|-------------------------|
| Tobacco Commission Megasite Grant | Grant | ●●○○ | ●●○○ |
| Worker Retraining Tax Credit ^a | Tax credit | ●●○○ | ●●○○ |
| Barge and Rail Usage Tax Credit | Tax credit | ●●○○ | ●●○○ |
| Economic Development Access Program | Grant | ●●○○ | ●●○○ |
| Real Property Investment Grant | Grant | ●●○○ | ●●○○ |
| Major Business Facility Jobs Tax Credit | Tax credit | ●●○○ | ●●○○ |
| Rail Industrial Access Program | Grant | ●●○○ | ●●○○ |
| International Trade Facility Tax Credit | Tax credit | ●●○○ | ●●●○ |
| Agriculture and Forestry Industries Development Grant | Grant | ●●○○ | ●●●○ |
| Virginia Investment Performance Grant | Grant | ●●○○ | ●●●● |
| Governor's Motion Picture Opportunity Fund | Grant | ●●●○ | ●●○○ |
| SRI International | Grant | ●●●○ | ●●○○ |
| Job Creation Grant | Grant | ●●●○ | ●●●○ |
| Manufacturers SSF apportionment | Other | ●●●○ | ●●●○ |
| Port of Virginia Economic and Infrastructure Grant | Grant | ●●●○ | ●●●○ |
| Port Volume Increase Tax Credit | Tax credit | ●●●○ | ●●●○ |
| Qimonda (semiconductor) grant | Grant | ●●●○ | ●●●○ |
| Tobacco Region Opportunity Fund | Grant | ●●●○ | ●●●○ |
| CMA CGM | Grant | ●●●○ | ●●●○ |
| LEGO Group | Grant | ●●●○ | ●●●○ |
| Huntington Ingalls-Production | Grant | ●●●○ | ●●●○ |
| Rocket Lab | Grant | ●●●○ | ●●●○ |
| Microsoft | Grant | ●●●○ | ●●●○ |
| Rolls-Royce | Grant | ●●●○ | ●●●○ |
| CoStar | Grant | ●●●○ | ●●●○ |
| Virginia Economic Development Incentive Grant | Grant | ●●●○ | ●●●● |
| Amazon HQ2 | Grant | ●●●○ | ●●●● |
| Small Business Investment Grant | Grant | ●●●● | ●●●○ |
| Micron (2018 custom grant) ^b | Grant | ●●●● | ●●●● |
| Cash Collateral Program | Loan | ●●●● | ●●●● |

Appendixes

| Incentive | Incentive type | Economic benefits | Return in state revenue |
|---|--------------------|-------------------|-------------------------|
| Commonwealth's Development Opportunity Fund Grant | Grant | ●●●● | ●●●● |
| Data center exemption | Exemption | ●●●● | ●●●● |
| Economic Development Loan Fund | Loan | ●●●● | ●●●● |
| Virginia Ventures Fund ^c | Other | ●●●● | ●●●● |
| Loan Guaranty Program | Loan | ●●●● | ●●●● |
| Major Eligible Employer Grant | Grant | ●●●● | ●●●● |
| Micron (2005 custom grant) | Grant | ●●●● | ●●●● |
| Small Business Jobs Grant ^a | Grant | ●●●● | ●●●● |
| SWaM Loan Fund | Loan | ●●●● | ●●●● |
| Trade Show Assistance Program | Grant ^c | ●●●● | ●●●● |
| Virginia Jobs Investment Program | Grant | ●●●● | ●●●● |
| Virginia Leaders in Export Trade (VALET) | Grant ^c | ●●●● | ●●●● |
| Merck | Grant | ●●●● | ●●●● |
| Morgan Olson | Grant | ●●●● | ●●●● |
| Volvo | Grant | ●●●● | ●●●● |
| Huntington Ingalls-Training | Grant | ●●●● | ●●●● |
| Amazon Web Services | Grant | ●●●● | ●●●● |
| Virginia Business Ready Sites Program | Grant | n.a. | n.a. |

Negligible ●○○○ Low ●●○○ Moderate ●●●○ High ●●●●

SOURCE: JLARC staff analysis of economic impact and return in revenue estimates generated by the Weldon Cooper Center.
 NOTE: Includes incentives evaluated as of the first half of 2024. Time period for which incentives are evaluated varies. Estimates are sensitive to the assumptions used to determine the percentage of economic activity that can be attributed to the incentive.
^a Programs have been eliminated. The Worker Retraining Tax Credit was replaced with the Worker Training Tax Credit (not yet evaluated). ^b Grants are terminating (Micron) or expected to terminate (Blue Star). ^c Not technically grants but provide financial assistance similar to grants.