

ECONOMIC DEVELOPMENT INCENTIVES

Custom Incentive Grants, 2024

RECOMMENDATION

Developing guidelines for assessing custom grant proposals ► The General Assembly may wish to consider amending § 30-310 of the Code of Virginia to (i) require the Virginia Economic Development Partnership Authority (VEDP), in consultation with the secretary of commerce and trade, to develop guidelines for assessing and awarding grants that are not currently authorized under law and (ii) require that VEDP submit the guidelines to the Major Employer and Investment Project Approval Commission for approval. (Recommendation 1)

POLICY OPTION

Exploring increasing flexibility of existing incentive programs ► The General Assembly could direct the Virginia Economic Development Partnership Authority to assess whether it would be feasible to modify its existing discretionary economic incentive programs to provide the flexibility to give grant awards to projects that would otherwise seek custom grants, but still ensure the programs maintain effective practices and would not experience diminished positive economic impacts. (Option 1)

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)

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

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

RECOMMENDATIONS

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).