COMMONWEALTH of VIRGINIA

Department of Taxation

January 10, 2024

To: The Honorable L. Louise Lucas
Chairwoman, Senate Finance and Appropriations Committee

The Honorable Luke Torian
Chairman, House Appropriations Committee

The Honorable Vivian Watts
Chairwoman, House Finance Committee

From: Craig M. Burns
Tax Commissioner

Pursuant to the third enac ment clause of 2018 House Bill 222 (Chapter 802 of the 2018 Acts of Assembly) and Senate Bill 883 (Chapter 801 of the 2018 Acts of Assembly), the Department of Taxation is required to report annually regarding the number of returns processed during the prior fiscal year for eligible companies that claimed a modified method of apportionment under these Acts and the estimated revenue impact of such modified methods of apportionment.

House Bill 222 and Senate Bill 883 allow certain eligible companies operating in qualified localities to apportion Virginia taxable income using modified apportionment factors. To qualify, a corporation or pass-through entity must (1) not have any existing property or payroll in Virginia as of January 1, 2018, (2) on or after January 1, 2018 but before January 1, 2025, meet minimum capital investment and/or job creation requirements within a qualified locality, (3) be a traded-sector company, and (4) be certified by the Virginia Economic Development Partnership as generating a positive fiscal impact.

According to the Virginia Economic Development Partnership, no taxpayers have claimed a modified method of apportionment under this program and the Department has no information to report at this time regarding this tax incentive.

Please contact me if you have any questions.

C: The Honorable Stephen E. Cummings, Secretary of Finance