



COMMONWEALTH of VIRGINIA

Department of Taxation

November 15, 2024

The Honorable L. Louise Lucas
Chairwoman, Senate Finance and Appropriations Committee
Post Office Box 700
Portsmouth, Virginia 23705

The Honorable Luke E. Torian
Chairman, House Appropriations Committee
4222 Fortuna Plaza, Suite 659
Dumfries, Virginia 22025

The Honorable Vivian E. Watts
Chairwoman, House Finance Committee
8717 Mary Lee Lane
Annandale, Virginia 22003

Dear Chairwoman Lucas, Chairman Torian, and Chairwoman Watts:

During the 2012 Session, the General Assembly enacted [House Bill 1183](#) (Chapter 846 of the *Acts of Assembly*) and [Senate Bill 578](#) (Chapter 849 of the *Acts of Assembly*), which require the Department of Taxation (“the Department”) to publish a report on specified aspects of the International Trade Facility Tax Credit, the Barge and Rail Usage Tax Credit, and the Virginia Port Volume Increase Tax Credit (collectively known as the “port-related tax credits”) in the year immediately preceding any taxable year or calendar year in which any of the port-related tax credits is due to expire.

The port-related tax credits were initially set to expire on January 1, 2017. During the 2016 General Assembly Session ([House Bill 186](#), Chapter 69 of the *Acts of Assembly*) the sunset dates for the port-related tax credits were extended to January 1, 2022. The sunset dates were further extended during the 2021 General Assembly Special Session ([Senate Bill 1158](#), Chapter 373 of the *Acts of Assembly*) to January 1, 2025. As a result, this report is the first one published pursuant to the 2012 legislation.

This report must include (i) the number of persons, corporations, or other classes of taxpayers claiming the credits in each of the immediately preceding five years, (ii) the

aggregate amount of credits claimed in each of the preceding five years by each class of taxpayers, (iii) the average amount of the credits claimed by each class of taxpayers in each of the preceding five years, (iv) the average amount of taxes paid, after claiming any credits or deductions, by each class of taxpayers claiming the tax credit in each of the preceding five years, (v) any noted trends in the use of the tax credits, and (vi) any other information deemed relevant by the Department.

International Trade Facility Tax Credit

Under [Va. Code § 58.1-439.12:06](#), Virginia allows individuals and corporations to claim the International Trade Facility Tax Credit against their Virginia income tax. The credit is available to businesses that either make capital investments in an international trade facility or increase jobs related to an international trade facility. The credit is equal to \$3,500 per new qualified full-time employee that results from increased qualified trade activities by the taxpayer or two percent of the amount of capital investment made by the taxpayer to facilitate the increased eligible trade activities. To receive the International Trade Facility Tax Credit, taxpayers must apply to the Department.

This credit is capped at \$1,250,000 annually. If the amount of tax credits requested exceeds \$1,250,000, credits must be allocated proportionately among all qualified taxpayers. The amount of the credit is limited to fifty percent of the taxpayer's tax liability for the taxable year. Any unused credit may be carried forward for up to ten years. If the number of qualified full-time employees in any of the five years succeeding the credit year decreases below the average number of qualified full-time employees employed during the credit year, the credit is subject to recapture.

Taxpayer claimed a total of \$83,606 in International Trade Facility Tax Credits in Fiscal Year 2020, \$86,938 in Fiscal Year 2021, \$29,605 in Fiscal Year 2022, \$97,067 in Fiscal Year 2023, and \$139,724 in Fiscal Year 2024 as follows:

International Trade Facility Tax Credit						
Fiscal Year	Returns	Amount Claimed			Average Amount Claimed	Average Tax Paid
		Corporate	Individual	Total		
2020	6	\$80,967	\$2,639	\$83,606	\$13,934	\$2,221,342
2021	15	\$77,192	\$9,746	\$86,938	\$5,796	\$12,634.3
2022	*	\$29,605	\$0	\$29,605	*	*
2023	5	\$87,495	\$9,572	\$97,067	\$19,413	\$29,243.7
2024 [†]	5	\$98,544	\$41,180	\$139,724	\$27,945	\$2,950,423.5

[†]Fiscal Year 2024 data are preliminary.

The amounts reported above include credits from prior years that have been carried forward due to insufficient tax liability. The Department is unable to disclose the number of returns, average amount claimed, and average tax paid by class, as fewer than four returns within a class of taxpayers claimed the credit each year.

Barge and Rail Usage Tax Credit

Under [Va. Code § 58.1-439.12:09](#), Virginia allows individuals, estates, trusts, and corporations to claim the Barge and Rail Usage Tax Credit against their Virginia income tax. Taxpayers may also apply this credit against their Virginia bank franchise tax and certain license taxes. The credit is available to businesses that transport additional containers on a barge or by rail. The amount of the credit for any international trade facility is equal to \$25 per 20-foot equivalent unit (TEU) moved by barge or rail rather than by trucks or other motor vehicles on Virginia's highways. To receive the Barge and Rail Usage Tax Credit, an international trade facility is required to apply to the Department. Any credit not used in the taxable year the credit was earned may be carried forward for five years. No more than \$500,000 in tax credits may be issued in any fiscal year.

Taxpayers claimed a total of \$1,581 in Barge and Rail Usage Tax Credit in Fiscal Year 2020, \$16,923 in Fiscal Year 2021, \$142,653 in Fiscal Year 2022, \$385,012 in Fiscal Year 2023, and \$96,664 in Fiscal Year 2024 as follows:

Barge and Rail Usage Tax Credit						
Fiscal Year	Returns	Amount Claimed			Average Amount Claimed	Average Tax Paid
		Corporate	Individual	Total		
2020	*	\$0	\$1,581	\$1,581	*	*
2021	13	\$14,165	\$2,758	\$16,923	\$1,302	\$10,138
2022	4	\$140,308	\$2,345	\$142,653	\$35,663	\$90,479
2023	6	\$381,788	\$3,224	\$385,012	\$64,169	\$30,704
2024 [†]	6	\$82,252	\$14,412	\$96,664	\$16,111	\$176,073

[†]Fiscal Year 2024 data are preliminary.

The amounts reported above include credits from prior years that have been carried forward due to insufficient tax liability. For Fiscal Year 2020 through 2024, no taxpayer claimed this credit against their Virginia bank franchise tax and certain license taxes. The Department is unable to disclose the number of returns, average amount claimed, and average tax paid by class, as fewer than four returns within a class of taxpayers claimed the credit each year.

Virginia Port Volume Increase Tax Credit

Under [Va. Code § 58.1-439.12:10](#), Virginia allows individuals and corporations to claim the Virginia Port Volume Increase Tax Credit against their Virginia income tax. The credit is available to agricultural entities, manufacturing-related entities, and mineral and gas entities that use Virginia port facilities and increase port cargo volume at such facilities by five percent in a single calendar year over base year port cargo volume. The amount of the credit that may be allocated to a taxpayer is generally limited to \$250,000 for each calendar year.

However, this limit may be increased on a pro rata basis to the extent that the annual credit cap is not fully allocated among qualifying taxpayers. Any credit not used in the taxable year the credit was earned may be carried forward for five years. The Port Volume Increase Tax Credit is capped at \$3.2 million annually. To receive this credit, taxpayers must apply to the Virginia Port Authority. During the 2019 Session, the General Assembly enacted [Senate Bill 1652](#) (Chapter 759 of the *Acts of Assembly*) allowing for this credit to be transferred in certain circumstances.

Taxpayers claimed a total of \$1,364,332 in Virginia Port Volume Increase Tax Credits in Fiscal Year 2020, \$1,835,085 in Fiscal Year 2021, \$316,701 in Fiscal Year 2022, \$2,164,406 in Fiscal Year 2023, and \$2,388,698 in Fiscal Year 2024 as follows:

Port Volume Increase Tax Credit								
Fiscal Year	Corporate Income Tax				Individual Income Tax			
	Returns	Aggregate Amount Claimed	Average Amount Claimed	Average Tax Paid	Returns	Aggregate Amount Claimed	Average Amount Claimed	Average Tax Paid
2020	15	\$1,305,056	\$87,004	\$227,927	17	\$59,276	\$3,487	\$32,937
2021	15	\$1,199,788	\$79,986	\$3,509,056	19	\$635,297	\$33,437	\$9,851
2022	8	\$171,605	\$21,451	\$2,609,572	13	\$145,096	\$11,161	\$44,639
2023	12	\$1,476,551	\$123,046	\$107,405	23	\$687,855	\$29,907	\$97,710
2024 [†]	19	\$2,148,771	\$113,093	\$1,955,064	22	\$239,927	\$10,906	\$30,837

[†]Fiscal Year 2024 data are preliminary.

The amounts reported above include credits from prior years that have been carried forward due to insufficient tax liability. More detailed information is available for this credit because more than four returns claimed the credit each fiscal year.

The Department has recognized no discernable trends in the use of the port-related tax credits over during the relevant time period.

Please contact me if you have any questions.

Sincerely,



James J. Alex
State Tax Commissioner
Commonwealth of Virginia

C: The Honorable Stephen E. Cummings, Secretary of Finance
Kristin Collins, Deputy Commissioner, Virginia Department of Taxation