



COMMONWEALTH of VIRGINIA

Department of Taxation

January 14, 2026

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

The Honorable Luke E. Torian
Chair, House Appropriations Committee

The Honorable Vivian E. Watts
Chairwoman, House Finance Committee

Dear Chair Lucas, Chair Torian, and Chair Watts,

Pursuant to the third enactment 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 ("the Department") 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.

Fewer than four tax returns processed during Fiscal Year 2025 claimed this modified method of apportionment. Due to the confidentiality requirements of § 58.1-3 of the *Code of Virginia*, the number of returns and estimated revenue impact cannot be disclosed.

The eligible company modified apportionment program expired on January 1, 2025. Companies that qualified prior to the expiration date may generally continue to use the modified apportionment method for up to six taxable years after the year they first became eligible.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Kristin Collins".
Kristin Collins
Acting Tax Commissioner
Commonwealth of Virginia