

Incentives Overview

Virginia offers a variety of performance-based incentives designed to target the needs of companies considering an investment in the Commonwealth.

Incentive	Advantage
Discretionary Incentives	
Governor's Opportunity Fund	Discretionary fund available to secure a business location or expansion project
Governor's Agriculture and Forestry Industries Development Fund (AFID)	Fund available to support businesses that add value to Virginia-grown agricultural and forestal products
Job-Based Incentives	
Virginia Jobs Investment Program	Program that offers customized recruiting and training assistance to companies creating new jobs or experiencing technological change
Location-Based Incentives	
Foreign Trade Zones	Virginia and Hampton Roads offer foreign trade zones and subzones which effectively eliminate or reduce customs duties
Enterprise Zones	Provides state and local incentives to businesses that create new jobs and invest in real property
Job Creation Grants	Grants for permanent, full-time job creation over a 4-job threshold that meet wage requirements
Real Property Investment Grants	Grants for qualified real property investments
Technology Zones	Grants specific to individual localities in Hampton Roads which assist technology based companies
Tax Incentives	
Sales and Use Tax Exemption	Virginia offers the broadest sales and use tax exemptions in the U.S.
Property Tax Exemptions	Property is not taxed at the state level; real estate and tangible personal property are locally taxed. There are no taxes on: intangible property, manufacturers' inventory and manufacturers' furniture, fixtures and corporate aircraft
Virginia Port Incentives	
Port Volume Increase Tax Credit	Credit available to companies who increase port cargo through public or private facilities located in Virginia by a minimum of 5% in a single year
Barge and Rail Usage Tax Credit	Credit available to companies who move cargo by barge or rail, rather than truck, on Virginia's highways
International Trade Facility Tax Credit	Tax credit for either new job creation or capital investment in an international trade facility as a result of moving 5% more cargo through a public or private port facility than in the preceding taxable year.
Port of Virginia Economic and Infrastructure Development Grant Program	Grant available for port users new to or expanding anywhere in Virginia; they must create at least 25 new jobs and move cargo through a Public port terminal in Virginia

Local project specific incentives may also be available. Examples include:

- Economic Development Grants and Loans
- Relocation Assistance
- Utility Connections
- Machinery/Tool Tax Rebates

Several communities offer special incentive packages for locating within certain portions of their locality.

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Discretionary Incentives

Governor's Opportunity Fund (GOF)

GOF is a discretionary incentive available to the Governor to secure a business location or expansion project for Virginia. Grants are awarded to localities on a *local matching basis* with the expectation that the grant will result in a favorable location decision for the Commonwealth.

Grants are made at a locality's request for a project under the following conditions:

- Project investment, job creation and wage minimums are achieved
- The locality participates with a matching financial commitment
- The project is not an intrastate relocation
- A performance agreement is executed between the community and the company to ensure fulfillment of promised job creation and investment
- Public announcement of the project is coordinated by the Virginia Economic Development Partnership (VEDP) and the Governor's Office

Governor's Agriculture and Forestry Industries Development Fund (AFID)

AFID is a discretionary performance-based incentive designed to attract new and expanding agriculture and forestry processing/value-added facilities using Virginia-grown products.

Grants requested are made by the community for a project under the following conditions:

- The business beneficiary is a facility that produces "value-added agricultural or forestal products"
- A minimum of 30% of the agricultural or forestry products to which the facility is adding value are produced within the Commonwealth of Virginia on an annual basis in normal production years
- The grant request does not exceed \$250,000 or 25% of qualified capital expenditures (whichever is less)
- Matching local financial participation is required on a dollar-for-dollar basis
- A performance agreement is executed between the applicant and the business beneficiary to ensure fulfillment of promised job creation, capital investment and purchase of Virginia grown agricultural or forestry products
- Public announcement of the project is coordinated with the Governor's Office

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Jobs-Based Incentives

Virginia Jobs Investment Program (VJIP)

VJIP is a program that offers customized recruiting and training assistance to companies that are creating new jobs or experiencing technological change. The program is designed to offset the human resource development costs of new and expanding companies. The program is a performance-based incentive, meaning reimbursements are made to the company 90 days after the date of the first hire and after the company has met its minimum hiring requirements, according to the criteria.

The New Jobs Program is a vital part of the Commonwealth of Virginia's economic development efforts. The program targets expansions of existing companies or new facility locations. In order to qualify for assistance under the New Jobs Program, a company must be:

- Considering another state or country for the new location or expansion.
- Generating over 50% of its revenue from outside Virginia.
- Creating at least 25 net new jobs within 12 months from the date of the first hire.
- Making a new capital investment of at least \$1,000,000 associated with the location or expansion.
- Paying a minimum entry-level wage rate of \$9.79 per hour. In areas that have unemployment of one and a half times or more the state level, this wage minimum may be waived. Only full-time jobs are eligible for funding.

Location-Based Incentives

Foreign Trade Zones (FTZ)

Virginia offers six foreign trade zones designed to encourage businesses to participate in international trade by effectively eliminating or reducing customs duties. Businesses are allowed to store goods within foreign trade zones for an unlimited period of time. They are also allowed to manufacture products within zones and pay duties on either the foreign parts used or on the finished product, whichever is most advantageous to the company. All communities in the Hampton Roads region are located in FTZ number 20.

Virginia Enterprise Zones

Virginia's Enterprise Zone program provides state and local incentives to businesses that invest and create jobs within Virginia's enterprise zones, which are located throughout the state. The two incentive grants are: **Job Creation Grants** and **Real Property Investment Grants**.

Job Creation Grants:

- Cash grants for permanent, full-time job creation over a four-job threshold
- Qualifying jobs must offer health benefits.
- Positions created over the four-job threshold that pay at least 1.75 times the federal minimum wage rate are eligible for a maximum grant of \$500 per position per year for up to five years.
- Positions created over the four-job threshold that pay at least twice the federal minimum wage are eligible for a maximum grant of \$800 per position per year for up to five years.
- In high unemployment areas, businesses can qualify for \$500 grants using a lower wage threshold of 1.5 times the federal minimum wage.
- Personal service, retail, food and beverage positions are not eligible to receive job creation grants; and
 - Businesses can receive grants for a maximum of 350 jobs annually.
 - Businesses must qualify for the grants annually.
 - Businesses may qualify for additional five-year grant periods with additional job creation.
 - Legislation passed during the 2012 session now allows businesses electing to receive this grant to be eligible to receive the Major Business Facility Job Tax Credit **but not for the same job**.

Real Property Investment Grants:

- Grants for qualified real property investments made by any individual or entity in a commercial, industrial, or mixed use building or facility.
- Rehabilitation/ expansion projects must invest at least \$100,000.
- New construction projects must invest at least \$500,000 in qualified real property investments.
- The grant amount is 20% of the total cost of qualified real property investment **in excess of the eligibility thresholds** and is capped per building or facility.
- For investments of \$5 million or more the grant is capped at \$200,000 per building or facility and for investments of less than \$5 million the grant is capped at \$100,000.

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- Total grant awards may not exceed these caps within any five-year period

Virginia Technology Zones

Virginia's Technology Zones encourage new and expanding technology businesses to locate in localities throughout Virginia. Localities work with the Commonwealth to establish a technology zone and create specialized incentives. Four localities in Hampton Roads have Technology Zones: Franklin, Newport News, Poquoson, and Suffolk. Incentives may include: a reduction of user and permit fees, local tax incentives, special zoning treatment, exemption from local ordinances or other incentives adopted by ordinance.

Tax Incentives

Sales and Use Tax Exemptions

Virginia offers some of the broadest sales and use tax exemptions in the U.S. Exemptions for manufacturers, distributors, and other businesses include:

- Industrial materials that either enter into the production of or become a component part of the finished product
- Industrial materials that are coated upon or impregnated into the product at any stage of its manufacture or processing
- Machinery, tools, repair parts, fuel, power, energy or supplies used directly in manufacturing or processing products for sale or resale
- Materials, containers, labels, sacks, cans, boxes, drums or bags for packaging tangible personal property for shipment or sale
- Distributors do not pay the tax on items purchased for resale
- Tangible personal property delivered outside the Commonwealth for use or consumption outside the Commonwealth
- Tangible personal property delivered to a factor or agent for foreign export
- Tangible personal property used directly to produce any publication issued daily at intervals not exceeding 3 months
- Custom computer software and separately stated labor charges to modify prewritten computer programs
- Gas, electricity or water delivered through mains, lines or pipes
- Any fuel used directly in manufacturing, processing, refining or converting in an industrial space, as well as any fuel used directly and exclusively in basic research or research and development in the experimental or laboratory space

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- Certified pollution control equipment and facilities used primarily for the purpose of abating or preventing air or water pollution

Property Tax Exemptions

Virginia does not tax intangible property, manufacturers' inventory, and manufacturers' furniture, fixtures and corporate aircraft.

Virginia Port Tax Credits and Grant Program

Port Volume Increase Tax Credit

Tax credit for companies engaged in the manufacturing of goods or the distribution of manufactured goods, agricultural entities, or mineral or gas entities that use public or private port facilities located in Virginia and increase port cargo at these facilities by a minimum of 5% in a single calendar year over their base year cargo volume.

- Credit is \$50 per TEU or one unit of roll-on/roll off container in excess of the base year cargo; tonnage conversion rate is 16 tons = 1 TEU.
- Must establish a base of either 10 TEUs, 75 noncontainerized tons or 10 units of roll-on/roll-off cargo
- Credit is capped at \$250,000 per taxpayer or more if there is excess money available; a cap of \$3.2 million per calendar year; can carry forward for 5 years
- Volume increase requirement waived for a new major facility. Facility is to be located in Virginia and projected to import/export cargo through a Virginia port in excess of 25,000 TEU's in its first calendar year.

Barge and Rail Usage Tax Credit

The Barge and Rail Usage Tax Credit is available to companies that use barge or rail to move cargo, rather than truck or other motor vehicles on Virginia's highways.

- Credit is \$25 per TEU, one unit of roll-on/roll off, or 16 tons of noncontainerized cargo moved by barge and/or rail in excess of the number of containers moved by barge or rail during the immediately preceding taxable year.
- Credit can be claimed against Virginia individual income tax, corporate income tax, tax on estates and trusts, bank franchise tax, insurance premiums tax, and the tax on public service corporations.

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- Available for taxable years beginning on and after 01/01/11 but before 01/01/17; Cap of \$500,000 per fiscal year; no cap per taxpayer; can carry forward for five years
- Can be combined with Port Volume Increase tax credit for potential of \$75 per TEU, unit of roll-on/roll-off cargo or 16 tons of noncontainerized freight

International Trade Facility Tax Credit

The International Trade Facility Tax Credit is available to companies creating new jobs or capital investment in an international trade facility as a result of moving 5% more cargo through a Virginia public or private port facility than in the preceding taxable year.

- Credit is **either** (i) \$3,500 per qualified full-time employee that results from increased qualified trade activities by the taxpayer **or** (ii) an amount equal to 2% of qualified capital investment expenses made by the taxpayer to facilitate increased qualified trade activities
- Credit can be claimed against Virginia individual or corporate income tax
- Available for taxable years beginning on and after 01/01/11 but before 01/01/17; Cap of \$1.25 million per fiscal year; no cap per taxpayer; the amount of the credit allowed shall not exceed 50 percent of the tax imposed for the taxable year; can carry forward for 10 years
- Company may not claim this International Trade Facility Tax Credit and Major Business Facility Job Tax Credit or the Port of Virginia Economic & Infrastructure Development Grant program for the same jobs.

Port of Virginia Economic and Infrastructure Development Grant Program (POV Grant)

The POV Grant incentivizes maritime related companies or companies who ship and receive cargo through The Port of Virginia to locate or expand in Virginia to encourage and facilitate the growth of the port.

- Companies must be engaged in one or more of the following: distribution, freight forwarding, freight handling, goods processing, manufacturing, warehousing, crossdocking, transloading, or wholesaling of goods exported and imported through the Port of Virginia; ship building and ship repair; dredging; marine construction; or offshore energy exploration or extraction.
- Grants for permanent, full-time job creation over a 25-job threshold must be met from the date of commencement through the first full calendar year of operations or during the first full calendar year after an expansion occurs.
- Grant amount is determined as follows:
 - \$1,000 per job for 25-49 New, Permanent Full-Time Positions
 - \$1,500 per job for 50-74 New, Permanent Full-Time Positions

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Potential Incentives and Tax Credits

- \$2,000 per job for 75-99 New, Permanent Full-Time Positions
- \$3,000 per job for 100 or more New, Permanent Full-Time Positions
- An otherwise qualified company that claims employees for the Major Business Facility Job Tax Credit or the International Trade Facility Tax Credit may not receive a POV Grant for those previously-claimed jobs.
- Available for taxable years beginning on and after 01/01/14 but before 06/30/20; Cap of \$500,000 per company; A company can only apply for a POV Grant one time.