



Virginia State Taxes

Corporate Income Tax Rate: 6%

The corporate income tax rate in Virginia has not been modified since 1972. As it is applied to federal taxable income, it functions as a deduction from federal taxes. If a corporation is engaged in multi-state activities and its income is subject to tax in Virginia and other states, it pays tax only on the portion of its income from Virginia sources. In determining this portion, income is divided into allocable and apportionable income. Apportionment is based on a formula of payroll, property, and sales that weighs the operations in Virginia against its total operations. The sales factor is double weighted.

Worker's Compensation Employer Insurance Costs:

\$0.81 per \$100 of payroll

Since 1994 Virginia has had a partially regulated "competitive rate" or "loss costs" system to determine workers' compensation rates: The State Corporation Commission (SCC) approves the cost of losses for each industry classification and insurance companies determine average overhead and profits. "Multipliers" to cover these expenses are filed with the SCC and are subject to periodic review. Virginia has one of the lowest comparative costs of Workers' Compensation in the nation.

Unemployment Insurance Tax per Employee: \$209

Employers must register with the Virginia Employment Commission and pay the unemployment insurance tax if they had one or more persons employed for 20 or more weeks or if they paid wages of \$1,500 or more in any calendar quarter in either the current or preceding calendar year. New employers pay a special rate for an initial period, usually 18-29 months, unless their computed rate, based on claims, exceeds the new employer rate. After the initial period, the employer's rate is determined by his/her operational experience and the state's unemployment level as reflected in the financial condition of the Unemployment Compensation Trust Fund.

Note: Estimates of unemployment insurance tax per employee are a product of the average unemployment insurance tax as a percentage of taxable wages and the taxable wage base. Rates calculated by VEDP.

Real Estate Tax

Real estate is taxed at the local level in Virginia and includes land, buildings and all improvements. There is no restriction on the tax rate that may be imposed. The *Code of Virginia* provides that all general reassessments or annual assessments shall be at 100 percent of fair market value.



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Personal Income Tax

There is no local income or payroll tax in Hampton Roads. Taxes are calculated based on Virginia taxable income.

Virginia Income Tax Rate Schedule			
Over	But Not Over	Your Tax is	Of Excess Over
\$0	\$3,000	2%	\$0
\$ 3,001	\$ 5,000	\$ 60 plus 3%	\$ 3,000
\$ 5,001	\$ 17,000	\$ 120 plus 5%	\$ 5,000
\$ 17,001		\$ 720 plus 5.75%	\$ 17,000

For instance, if your taxable income is \$ 40,000, the wage earner would owe the Commonwealth of Virginia \$ 2,042.50 in taxes. Calculated as \$ 720 + ((\$ 40,000 – \$ 17,000) X 5.75%)

Machinery and Tools Tax

Machinery and tools for manufacturing are considered a separate class of property and are subject to the “machinery and tools tax” and can be taxed at a lower rate than “business tangible property”. Localities may adopt special assessment schedules for computer equipment to reflect its rapid obsolescence.

Business Tangible Property Tax

Business tangible property is taxed at the local level in Virginia and includes, but is not limited to, automobiles and trucks, furniture and fixtures and office equipment. Items specifically exempted for manufacturers include computer application software, furniture and fixtures and corporate aircraft. Among other exemptions: inventory (except inventory of merchants), and merchandise in a foreign trade zone.

Individuals pay personal property tax on automobiles and trucks, motorcycles, boats, aircraft, and mobile homes.



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Intangible Personal Property Tax

Intangible personal property tax is reserved for state taxation. In 1984, the Virginia General Assembly exempted intangible personal property from taxation by making the tax rate zero. As a result, the following items are not taxed at either the state or local level:

- Tangible personal property uses in manufacturing, mining, radio or television broadcasting, dairy, dry cleaning or laundry business
- Office furniture, computer equipment, a corporate headquarters' aircraft, and research and development facilities
- Computer application software
- Money
- Bonds, notes and other evidence of debts, demands and claims
- Shares of stock
- Accounts receivable
- Merchandise within a Virginia foreign trade zone
- Capital used in the commercial fishing business to harvest or catch fish (excluding fishing vessels)

Sales and Use Tax

Rates listed below are effective July 1, 2013. Please note that under certain scenarios, exemptions can apply. Refer to the **Potential Incentives and Tax Credits** file for additional information.

State Tax Rate	Local Tax Rate	Total State & Local Tax Rate
5.0%	1.0%	6.0%

Inventory Tax

In Virginia, a manufacturer's inventory, furniture, fixtures, and corporate aircraft are not taxed, nor does a manufacturer pay business license tax on gross receipts when the sales are at wholesale and occur at the place of manufacture. Manufacturing companies also receive broad exemptions from state and local sales and use taxes on purchases used directly in production and in research and development.

Business Related Taxes by Hampton Roads Locality (per \$100 assessed value)

City/County	Real Estate ⁱ	Tangible Property ⁱⁱ	Machinery and Tools ⁱⁱⁱ	Gas	Commercial Electric	Water / Sewer
Chesapeake	\$1.05	\$4.08	\$3.20	\$4.00 + \$0.155/CCF. \$112.50 Max	\$2.87 + \$0.0171/kWh. \$112.50 Max	N/A
Franklin	\$0.99	\$4.50	\$2.00 (30% of Original Cost)	N/A	\$2.00 + \$0.015/kWh on first 3,700 kWh, \$0.0055/kWh on excess. \$165 Max	16.5% on first 1,000. \$165 Max
Hampton	\$1.24	\$4.50	\$3.50	\$2.78 + \$0.135199/CCF 0-128.91 CCF + \$0.032578 CCF balance. \$65 Max	\$2.29 + \$0.013953/kWh 0- 2,703 kWh + \$0.003321/kWh balance. \$80 Max	N/A
Isle of Wight	\$0.85	\$4.50 (40% of Original Cost)	\$0.70	Commercial or Industrial consumers pay 10% of first \$1,000	Commercial or Industrial consumers pay 10% of first \$1,000	N/A
Newport News	\$1.10	\$4.50	\$3.75	\$1.29 + \$0.067602/CCF 0- 128.91 CCF + \$0.032576/CCF balance. \$55 Max	\$2.29 + \$0.013859/ kWh 0- 2,721kWh + \$0.003265/kWh balance. \$80 Max	N/A
Norfolk	\$1.15	\$4.33 (40% of Original Cost)	\$4.25	\$3.225 + \$0.167821/CCF 0- 70 CCF, \$0.161552/CCF 71- 430 CCF, \$0.153663/CCF balance. \$500 Max	\$2.87 + \$0.017933/kWh 0-537 kWh + \$0.00633/kWh balance.	25% on first \$75, 15% on excess of \$75
Poquoson	\$1.07	\$4.15 (30% of Original Cost)	\$4.15 (30% of Original Cost)	\$1.29 + \$0.068855/CCF. \$10 Max	\$1.15 + \$0.007286/ kWh. \$10 Max	N/A
Portsmouth	\$1.30	\$5.00	\$3.00 (50% of Original Cost)	20% of first \$2,000	20% of first \$2,000	\$8.25 per ERU per month
Southampton	\$0.77	\$5.00	\$2.40 ^{iv}	N/A	\$2.29 + \$0.015199/kWh on first 3,219 kWh, \$0.000365.kWh on excess. \$1,500 Max	N/A

Business Related Taxes by Hampton Roads Locality (per \$100 assessed value)

City/County	Real Estate ⁱ	Tangible Property ⁱⁱ	Machinery and Tools ⁱⁱⁱ	Gas	Commercial Electric	Water/Sewer
Suffolk	\$1.07	\$4.25 (20% of Original Cost)	\$3.15 ^v	\$1.67 + \$0.08904/CCF. \$1,300 Max	\$1.49 + \$0.007722/kWh. \$1,300 Max	N/A
Virginia Beach	\$0.99	\$4.00 (40% of Original Cost)	N/A	\$1.94 + \$0.097668/ CCF 0-961 CCF + \$0.031362/CCF balance. \$162.50 Max	\$1.72 + \$0.010057/kWh 0-9,151 kWh+\$0.002831/kWh balance. \$162.50 Max	15% on first \$625, 5% on \$626 to \$2,000

ⁱ Real Estate Tax: Real estate is assessed at 100% of its fair market value based on an annual appraisal, is taxed at the local level and include land, buildings and all improvements

ⁱⁱ Business Tangible Personal Property Tax: A tax on levied tangible personal property employed in a trade or business (furniture, fixtures, equipment, machinery, tools, etc.). In Virginia Business Tangible Property is taxed at a local level. Manufacturer's inventory, furniture, fixtures, and corporate aircraft are not taxed, nor does a manufacturer pay business tax on a gross receipts when the sales are at wholesale and occur at the place of manufacture.

ⁱⁱⁱ Machinery and Tools Tax: Localities in Virginia are authorized by the Code of Virginia to segregate certain machinery and tools for local taxation. The machinery and tools tax is levied on the machinery and tools that are used for manufacturing, mining, processing or reprocessing, radio or television broadcasting, dairy, dry cleaning or laundry business. The tax rate on machinery and tools may not be higher than that imposed on other classes of tangible property. Selected communities may depreciate percent value assessed as machinery ages.

^{iv} Value used for tax purposes = Original Cost; Assessment Ratio decreases yearly by 10%, starting with 80% at Year 1 and decreasing to 10% after 8 years.

^v Value used for tax purposes = 20% of Original Cost Installed Years 1-5; 10% of Original Costs Installed after 5 Years

Note: Last updated September, 2015