

## Virginia Tax Incentives for Manufacturers

<u>Code Section</u>	<u>Title</u>	<u>Description</u>
<b>Retail Sales and Use Tax Exemptions</b>		
§ 58.1-609.2(2)	Agricultural and Seafood Manufacturing	An exemption is allowed for any agricultural commodity or seafood purchased to be a raw product in manufacturing such commodity for the ultimate consumer retail trade.
§ 58.1-609.3(2)	Industrial Materials and Machinery and Tools	An exemption is allowed for industrial materials for manufacturing that are entering into production or becoming a component part of the finished product; industrial materials that are coated upon or impregnated into the product at any stage of its being manufactured; machinery and tools, and their repair parts or replacements, used directly in manufacturing; materials for packaging tangible personal property for shipment or sale.
§ 58.1-609.3(9)	Certified Pollution Control Equipment and Facilities (Not Limited to Manufacturers)	An exemption is allowed for certified pollution control equipment and facilities.
§ 58.1-609.3(14)	Semiconductor Manufacturing	An exemption is allowed for semiconductor clean-rooms, equipment, or other tangible personal property used primarily in the integrated process of manufacturing a semiconductor product.
§ 58.1-609.3(15)	Semiconductor Manufacturing - Wafers	An exemption is allowed for semiconductor wafers for use or consumption by a semiconductor manufacturer.
§ 58.1-609.3(16)	Railroad Rolling Stock	An exemption is allowed for railroad rolling stock when sold or leased by the manufacturer.

<b>Local Tax Preferences</b>		
§ 58.1-1101 and § 58.1-3507	Intangible Personal Property	Capital, which is personal property, tangible in fact, used in manufacturing (including, but not limited to, furniture, fixtures, office equipment and computer equipment used in corporate headquarters), is defined as intangible personal property and is exempted from state and local taxation. Machinery and tools, motor vehicles, and delivery equipment are not considered intangible personal property. Idled machinery and tools are generally considered intangible personal property because they are not used in the manufacturing business.
§ 58.1-3507	Machinery and Tools Tax Rate	Machinery and tools of manufacturers are subject to the local machinery and tools tax, the rate of which cannot exceed the rate of tax applicable to the general class of tangible personal property in the locality.
§ 58.1-3505	Local Option Exemption for Equipment Used by Farmers to Manufacture Industrial Ethanol	Localities may exempt from tangible personal property tax equipment used by farmers to manufacture industrial ethanol consisting primarily of farm products.
§ 58.1-3506(9)	Generating Equipment Tax Exemption	Localities may set a separate tangible personal property tax rate different from the general tangible personal property tax rate for generating equipment purchased after December 31, 1974 for the purpose of changing the energy source of a manufacturing plant from oil or natural gas to coal, wood, wood bark, wood residue, or any other alternative energy source for use in manufacturing and any cogeneration equipment purchased to achieve more efficient use of the energy source.
§ 58.1-3660	Local Option Exemption for Certified Pollution Control Equipment and Facilities (Not Limited to Manufacturers)	Localities may exempt or partially exempt real and personal property that constitutes certified pollution control equipment and facilities.
§ 58.1-3662	Local Option Exemption for Generating and Cogenerating Equipment Used for Energy Conversion	Localities may exempt or partially exempt generating equipment installed for the purpose of converting from oil or natural gas to coal or to wood, wood bark, wood residue, or to any other alternate energy source for manufacturing, and any cogenerating equipment installed since such date for use in manufacturing.
§ 58.1-3703	Business, Professional and Occupational License (BPOL) Tax Exemption	Localities are prohibited from imposing a BPOL tax or fee on a manufacturer for the privilege of manufacturing and selling goods at wholesale at the place of manufacture.

<b>Local Tax Incentives</b>		
§ 58.1-3245.6 through § 58.1-3245.12	Local Enterprise Zone Development Program (Not Limited to Manufacturers)	Any locality may adopt a local enterprise zone development taxation program, that allows all or a specified percentage of real estate tax, machinery and tools tax or both, to be used to provide law-enforcement and other governmental services, financing transportation projects, grants to chambers of commerce and similar organizations, or to make grants to any industrial development authority.
§ 58.1-3850 and § 58.1-3245.12	Local Technology Zone Incentives (Not Limited to Manufacturers)	Any locality may establish one or more technology zones and may grant tax incentives, including reductions of user fees and any type of gross receipts tax, and provide certain regulatory flexibility in the zone.
§ 58.1-3506(21)	Multi-County Transportation Improvement Districts	Localities may set a separate tangible personal property tax rate different from the general tangible personal property tax rate for tangible personal property put into service within a Multi-county Transportation Improvement District on or after July 1, 1999, that is used in manufacturing, testing, or operating satellites.

<b>Income Tax Incentives</b>		
§ 58.1-301	Conformity to IRC § 199	<p>As part of the American Jobs Creation Act of 2004, Congress added IRC § 199, which allows a phased-in deduction of 9% of the “qualified production activities income” resulting from domestic production. This federal tax preference benefits corporations that produce goods, develop software or construct property in the United States, regardless of whether they are exported.</p> <p>Virginia allows this deduction through its conformity to the Internal Revenue Code.</p>