



2016 Select Technology Legislation

HB 884/SB 58 Research and development expenses tax credits.

Chief patron: Hugo/McDougle

Research and development expenses tax credits. Modifies the existing research and development expenses tax credit and creates a similar tax credit for businesses with Virginia research and development expenses in excess of \$5 million for the taxable year. The bill changes the existing tax credit by (i) extending the expiration date from January 1, 2019, to January 1, 2022; (ii) increasing the credit from 15 percent of the first \$234,000 of the business's Virginia qualified research and development expenses that exceed a base amount to 15 percent of the first \$300,000 of such expenses and from 20 percent of the first \$234,000 of such expenses to 20 percent of the first \$300,000 of such expenses if the research and development was conducted in conjunction with a Virginia college or university; (iii) establishing an alternative computation for the tax credit at the election of the taxpayer beginning with taxable year 2016; and (iv) increasing from \$6 million to \$7 million the maximum amount of tax credits that may be granted by the Department of Taxation for each fiscal year beginning with fiscal year 2017.

Under current law, a taxpayer is allowed a refundable credit equal to (a) 15 percent of the first \$234,000 of the taxpayer's Virginia qualified research and development expenses that exceed a base amount or (b) if the research and development was conducted in conjunction with a Virginia college or university, 20 percent of the taxpayer's first \$234,000 in Virginia qualified research and development expenses that exceed a base amount. Under the alternative computation established by the bill for the existing credit, the taxpayer will be allowed a refundable tax credit equal to 10 percent of the difference of (1) the taxpayer's Virginia qualified research and development expenses for the current taxable year and (2) 50 percent of such taxpayer's average Virginia qualified research and development expenses for the immediately preceding three taxable years. If the taxpayer did not pay or incur Virginia qualified research and development expenses in any one of the immediately

preceding three years, the credit will equal five percent of the taxpayer's Virginia qualified research and development expenses for the current taxable year. The maximum credit allowed to a taxpayer each year under the alternative computation will be \$45,000, or \$60,000 if the research and development was conducted in conjunction with a Virginia public or private college or university.

The bill also creates a new tax credit beginning with taxable year 2016 for businesses with Virginia research and development expenses in excess of \$5 million for the taxable year. The new tax credit will include the same elements as described above for the alternative computation, except that it is not refundable and there is no annual limit on the maximum amount of credits allowed to the taxpayer. In addition, the Department may grant up to \$20 million in tax credits each fiscal year beginning with fiscal year 2017. The amount of the new tax credit that may be claimed by the taxpayer for each year will be limited to 75 percent of the taxpayer's Virginia income tax liability for the year. Any unused credit for the year may be carried forward and applied against the taxpayer's income taxes in the next 10 succeeding taxable years. The new research and development expenses tax credit expires January 1, 2022. The bill prohibits a taxpayer from claiming a credit for expenses incurred using embryonic stem cells.

The bill prohibits a taxpayer from claiming both the existing and new research and development expenses tax credit for the same taxable year. This bill is identical to SB 58.

HB 930/SB 150 Virginia Public Procurement Act; procurement of information technology goods and services.

Chief patron: Davis/Reeves

Virginia Public Procurement Act; procurement of information technology goods and services; contractor liability. Prohibits a public body from requiring that an offeror state any exception to any liability provisions in responding to a Request for Proposal for information technology goods and services. If selected for negotiation after the proposal is submitted, the offeror must state any exception to the liability provisions in writing at the beginning of the negotiation. This bill is a recommendation of the Joint Commission on Technology and Science. This bill is identical to SB 150.

HB 1064 Virginia Information Technologies Agency; duties and responsibilities, etc.

Chief patron: Jones

Duties and responsibilities of the Virginia Information Technologies Agency; reorganization and recodification. Makes numerous technical or organizational changes to Chapter 20.1 (§ 2.2-2005 et seq.) of Title 2.2 related to the establishment and operation of the Virginia Information Technologies Agency (VITA). The bill does not make substantive changes to VITA's powers and duties. The bill was developed by a staff workgroup led by the Division of Legislative Services pursuant to § 1-6 of the 2015 Appropriation Act to address concerns identified in the Joint Legislative Audit and Review Commission's 2014 Report on Virginia's Information Technology Governance Structure.

HB 1343 Research & development in the Commonwealth; Va. Research Investment Fund & Committee, created, etc.

Chief patron: Jones

Virginia Research Investment Committee and Fund established; report. Establishes the Virginia Research Investment Committee (the Committee) to administer grants and loans from the Virginia Research Investment Fund (the Fund), created by this bill, to promote research, development, and commercialization in the Commonwealth. The bill provides that the State Council of Higher Education for Virginia (SCHEV) will establish guidelines related to administration and award of grants from the Fund, in consultation with the Committee. Upon receipt of completed grant applications, SCHEV will forward them to an entity with recognized science and technology expertise to review and rank the applications. Applications will then be forwarded to the Committee to make a final decision about the award of grants and funds. The Committee will be comprised of the Director of SCHEV, who will also serve as chairman, the Secretary of Finance, the Secretary of Technology, the staff directors of the House Appropriations and Senate Finance

Committees, and three citizen members. The Speaker of the House of Delegates and the Senate Committee on Rules would each appoint one citizen member, and the Governor would appoint two citizen members, all to be selected from the nonlegislative citizen members of the Go Virginia Board if such Board is created by the 2016 Session of the General Assembly and becomes law. Of the moneys appropriated to the Fund, the General Assembly may specifically designate a portion of the moneys to be invested by the Board of the Virginia Retirement System. Only \$4 million of such invested funds may be awarded in any given year, and if the Committee decides to award a loan, such loan must come out of this \$4 million.

