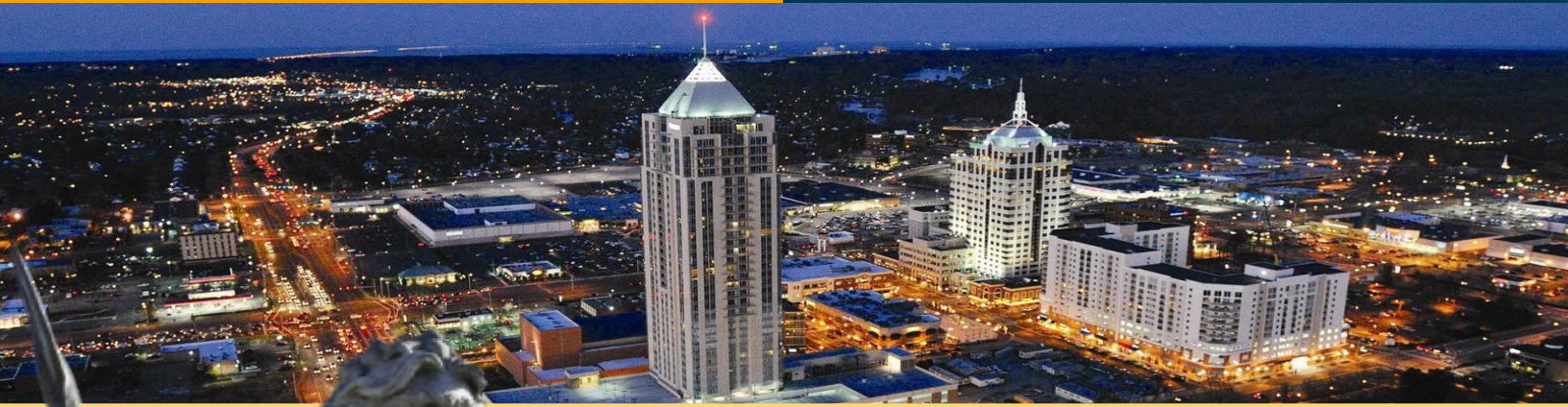


BIG THINGS

BOLD IDEAS



**VIRGINIA BEACH
MACHINERY & TOOLS TAX**



THRIVING MANUFACTURING BASE

"Our Virginia Beach workforce has proven its ability to meet the demands of our customers, both here and overseas. Because of the manufacturing-friendly environment in Virginia Beach, we are able to compete domestically and globally, ultimately allowing us to continue to expand our operations here."

- Peter Mueller, STIHL, Inc.

Major Virginia Beach Manufacturers

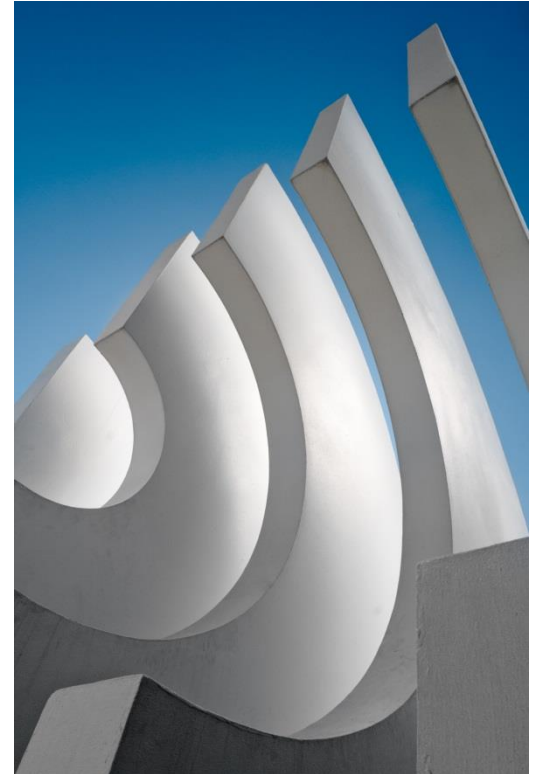
Company	# Employees	Product / Service Description
STIHL Inc.	2,067	Chain saws & outdoor power equipment
AMSEC LLC	350	Naval architecture & marine engineering;
M & G Electronics Corporation	350	Cable assemblies/wiring harness sets
Controls Corporation of America (CONCOA)	250	Industrial pressure valves & regulators; welding
Architectural Graphics Incorporated (AGI)	340	Hospital, airport & mall sign systems
Aetna Insulated Wire Co.	230	Nonferrous wire & fabricated wire products; cables
Hermes Abrasives, Ltd.	195	Industrial coated & bonded abrasives products
IMS: Gear	155	Automotive Seat Parts
Labels Unlimited, Inc.	115	Pressure sensitive labels & tags
Accoustical Sheetmetal Inc. (ASI)	105	Sound/weather resistant attenuated enclosures
NGK-Locke Polymer Insulators, Inc.	100	Polymer & porcelain electrical insulators

This is a sample list and is not intended to be comprehensive.



THE MACHINERY & TOOLS TAX (effective July 1, 2011)

- The Virginia Beach machinery and tools tax, was calculated at \$1 per \$100 of one-third the value of a company's tools and machinery.
- Tax was paid by about 200 manufacturing businesses
 - Generated approximately \$1.46 million in annual revenue.
- STIHL paid more taxes on machinery & tools than any other business
 - Approximately 40% (or \$500,000 per year) of tax revenue.
- Tax was considered to be a relatively small revenue stream, especially when compared to other taxes:
 - Hotel tax is estimated to bring in about \$23 million a year.
 - Restaurant tax is predicted to generate \$48 million.



THE MACHINERY & TOOLS TAX

- The City Council eliminated the machinery and tools tax to in an effort to diversify our economy
 - Help attract new companies and create jobs.
- The elimination of the machinery and tools tax has been an excellent opportunity to reposition VB as a pro business community
 - Allows us to be competitive with other communities
- Lost revenues have since been replaced by increased tax revenue driven by business growth and job creation.

Regional Tax Rate Comparison

Locality	Machinery & Tools Tax Rate
Chesapeake	\$3.12
Franklin	\$2.00
Gloucester*	\$2.60
Hampton	\$3.50
Isle of Wight	\$0.70
James City County	\$4.00
Newport News	\$3.75
Norfolk	\$4.25
Poquoson	\$4.15
Portsmouth	\$3.00
Southampton*	\$2.50
Suffolk	\$3.15
Virginia Beach	\$0.00
Williamsburg	\$3.50
York County	\$4.00

Table Source: Hampton Roads Economic Development Alliance

*Gloucester, Portsmouth, and Southampton rates are subject to different assessment rates based on the age of the machinery. See hreda.com for more information.

LABOR COSTS & TAXES

Together, the Commonwealth of Virginia and the City of Virginia Beach have one of the fairest tax structures in the nation. Virginia has not raised its corporate income tax rate of 6% since 1972.

City of Virginia Beach Tax Rates

REAL ESTATE

\$0.93

PER \$100 ASSESSED VALUE

PERSONAL PROPERTY

\$3.70

PER \$100 ASSESSED VALUE
(MANUFACTURERS EXEMPT)

MACHINERY & TOOLS

\$0.00

BUSINESS PROPERTY

\$3.70

PER \$100 ASSESSED VALUE
40% OF ORIGINAL COST (TANGIBLE PROPERTY)

Virginia Beach Tax Advantages

- **Single Factor Apportionment Effective 2015**
 - *Corporate Income Tax Liability depends on location of sales and company's tax strategy*
- **No Inventory Tax for Manufacturers**
- **No Tax on Business Equipment for Manufacturers**
- **No Tax on Machinery & Tools Equipment**
- **5% State Sales Tax (No Sales Tax on Industrial Materials)**
- **Flat \$50 business license fee for first 2 years of operations in the City of Virginia Beach (manufacturers are exempt)**
- **Only ONE local taxing authority**

Source: Virginia Beach Commissioner of the Revenue Office

MANUFACTURING ANNOUNCEMENTS SINCE M&T TAX ELIMINATION

Company	Capital Investment	New Jobs Created	New Square Footage Leased/ Purchased	New/ Expansion
Green Flash Brewing Co.	\$20,000,000	41	58,000	New
Architectural Graphics Inc.	\$17,300,000	125	156,640	Expansion
IMS: Gear	\$32,000,000	35	112,000	Expansion
Osen-Hunter Defense Systems	\$1,150,000	14	15,000	Expansion
STIHL Inc.	\$24,300,000	52	893,000	Expansion (Purchase of existing building, construction of another)
BMZ USA, Inc.	\$500,000	50	16,000	New
TOTAL	\$95,250,000	317	1,250,640	

2012 MANUFACTURING ANNOUNCEMENTS

- **IMS:Gear**: New 111,000 sf facility on Progress Lane
 - 80 new jobs
 - \$32 million capital investment
- **STIHL**: Made several major investments in the community
 - Purchased the 850,000 sf former Lillian Vernon building
 - Constructed a 54,000 sf building
 - \$24.3 million investment
 - 52 new jobs



2013 MANUFACTURING ANNOUNCEMENTS

Green Flash Brewing Co.

- Craft Brewery based in San Diego
- Selected Corporate Landing Business Park as the site of their East Coast Brewery
 - \$20 million capital investment
 - 58,000 sf manufacturing and distribution facility
 - Tasting Room & Beer Garden
 - 41 new jobs
- Scheduled to open Jan. 2015
- Will become the largest craft brewer in the State of Virginia



2013 MANUFACTURING ANNOUNCEMENTS

Architectural Graphics, Inc.

- Company headquartered in Virginia Beach since 1987
- Expanded operations by purchasing 156,650 manufacturing and distribution facility
 - 125 new jobs
 - Competed with Georgia for this expansion project
- \$17.3 million capital investment



BIG THINGS

BOLD IDEAS



VIRGINIA BEACH

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VIRGINIA BEACH
ECONOMIC DEVELOPMENT