

**DEPARTMENT OF TAXATION
2024 Fiscal Impact Statement**

1. **Patron** Aaron R. Rouse
3. **Committee** Senate Finance and Appropriations
4. **Title** Military Centered Community Zones; Local Designation

2. **Bill Number** SB 343
House of Origin:
 X **Introduced**
 Substitute
 Engrossed
- Second House:**
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would authorize localities to create military centered community zones. Inside of these zones, localities would be permitted to grant tax incentives, enter into conditioned economic development grant agreements, and provide certain regulatory flexibility for a maximum period of twenty years to businesses looking to locate within the zone.

If enacted during the regular session of the 2024 General Assembly, this bill would become effective July 1, 2024.

6. **Budget amendment necessary:** No.
7. **Fiscal Impact Estimates:** Not available. (See Line 8.)
8. **Fiscal implications:**

Administrative Costs

This bill may have an unknown impact on local administrative costs but would not impact state costs.

Revenue Impact

Localities may experience an unknown revenue impact from this bill as it would enable localities to offer a variety of tax incentives to businesses looking to locate within the zones. This bill would have no impact on state revenues.

9. **Specific agency or political subdivisions affected:**
- All localities.

10. **Technical amendment necessary:** No.

11. **Other comments:**

BPOL

The Business, Professional and Occupational License (BPOL) tax is a tax on businesses for the privilege of engaging in business at a definite place of business within a Virginia locality. The measure or basis of the BPOL tax generally is the gross receipts of the business, however localities are authorized to impose the tax on the gross receipts or Virginia taxable income of the business.

Contractors may be subject to license tax at a rate not to exceed the sixteen cents per \$100 of gross receipts.

Enterprise Zone Grant Program

The Virginia Enterprise Zone Program was created in 1982 to form a partnership between state and local governments to stimulate job creation, private investment, and revitalization of distressed Virginia localities. The act focused on state and local tax credits to assist areas designated as enterprise zones. Cities and counties that applied for, and were granted the designation, were able to receive tax credits for businesses situated in the zones.

In 2005, the General Assembly passed legislation (House Bill 2570, Chapter 884 and Senate Bill 983, Chapter 863, 2005 Acts) to phase out the existing system for enterprise zone tax credits and replaced it with the Enterprise Zone Grant Program. The Enterprise Zone Act expired on July 1, 2005; however, all enterprise zones that were in effect as of July 1, 2005, would continue until the end of their 20-year designation period. Under the Enterprise Zone Grant Program, localities are able to apply for grants from the Department of Housing and Community Development and are allowed to offer a variety of tax incentives when applying for an enterprise zone designation.

Virginia Military Community Infrastructure Grant

The Virginia Military Community Infrastructure Grant Fund supports military communities in the Commonwealth by awarding grants to aid the planning and design, construction, or completion of infrastructure projects that enhance military readiness, installation resiliency, or quality of life for military communities.

Proposal

This bill would authorize localities to create “military centered community” zones. A “military centered community” zone means a zone, designated by a locality, to contain a significant presence of living or working military personal whose significant presence drives, or has the potential to drive, significant economic activity.

Inside of these zones, localities would be permitted to grant tax incentives, such as but not limited to:

- reduction of permit fees,
- reduction of user fees, and
- reduction of any type of gross receipts tax.

In addition, local governing bodies would be authorized to enter into agreements for the payment of economic development incentive grants to businesses with payment of the grants conditioned upon the businesses making certain real property or capital investments, creating and maintaining new jobs, or performing or meeting other economic development objectives within the zones.

Finally, inside of these zones, localities would be permitted to provide certain regulatory flexibility such as but not limited to:

- special zoning for the district,
- permit process reform,
- exemption from ordinances, and
- any other incentive adopted by ordinance.

Such regulatory flexibility would be binding on a locality for up to twenty years.

A military centered community zone would continue to be able to be designated as an enterprise zone under the Enterprise Zone Grant Act and would continue to be able to receive support under the Virginia Military Community Infrastructure Grant Program.

If enacted during the regular session of the 2024 General Assembly, this bill would become effective July 1, 2024.

Similar Legislation

House Bill 619 is identical to this bill.

cc : Secretary of Finance

Date: 1/21/2024 AO
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