2024 SESSION

HB 1524 Mobile machinery and equipment; tax credit for purchase.

Introduced by: **Alfonso H. Lopez** | **all patrons** ... **notes** | **add to my profiles**

SUMMARY AS INTRODUCED:

Tax credit for purchase of mobile machinery and equipment used by road contractors for processing recyclable asphalt materials on pavements and roadways. Creates a nonrefundable tax credit for taxable years 2025 through 2029 in an amount equal to 20 percent of the purchase price paid, as defined in the bill, during the taxable year for machinery and equipment used to reclaim, recycle, or reprocess existing asphalt materials from pavements and roadways. The bill requires a taxpayer to submit invoices with an income tax return verifying the amount of purchase price paid for such machinery and equipment. The bill provides a $3 million aggregate annual cap on the number of credits to be distributed, as administered by the Department of Taxation. Any credit not used for the taxable year in which the purchasing price for recycling machinery was paid may be carried over for the next 10 years until the total credit amount is used.

FULL TEXT

01/19/24 House: Presented and ordered printed 24102343D pdf | impact statement

HISTORY

01/19/24 House: Presented and ordered printed 24102343D

01/19/24 House: Referred to Committee on Finance

02/02/24 House: Assigned Finance sub: Subcommittee #1

02/05/24 House: Subcommittee recommends continuing to 2025 by voice vote

02/07/24 House: Continued to 2025 in Finance by voice vote

2024 SESSION

INTRODUCED

24102343D

HOUSE BILL NO. 1524

Offered January 19, 2024

A BILL to amend the Code of Virginia by adding a section numbered 58.1-439.7:1, relating to tax credit for purchase of mobile machinery and equipment used by road contractors for processing recyclable asphalt materials on pavements and roadways.

Patron—Lopez

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding a section numbered 58.1-439.7:1 as follows:

§ 58.1-439.7:1. Tax credit for purchase of mobile machinery and equipment used by road contractors for processing recyclable asphalt materials on pavements and roadways.

A. 1. For taxable years beginning on and after January 1, 2025, but before January 1, 2030, a taxpayer shall be allowed a credit against the tax imposed pursuant to Articles 2 (§ 58.1-320 et seq.) and 10 (§ 58.1-400 et seq.) in an amount equal to 20 percent of the purchase price paid during the taxable year for machinery and equipment used to reclaim, recycle, or reprocess existing asphalt materials from pavements and roadways in the Commonwealth. For purposes of determining "purchase price paid" under this section, the taxpayer may use the original total capitalized cost of such machinery and equipment, less capitalized interest.

2. The Department of Environmental Quality shall certify that such machinery and equipment are integral to the recycling process before the taxpayer shall be allowed the tax credit under this section. The taxpayer shall also submit purchase receipts and invoices as may be necessary to confirm the taxpayer's statement of purchase price paid with the income tax return to verify the amount of purchase price paid for the recycling machinery and equipment.

B. The total credit allowed under this section in any taxable year shall not exceed 40 percent of the Virginia income tax liability of such taxpayer.

C. Any tax credit not used for the taxable year in which the purchase price on recycling machinery and equipment was paid may be carried over for credit against the taxpayer's income taxes in the 10 succeeding taxable years until the total credit amount is used.

D. The Department shall administer the tax credits under this section. Beginning with credits allowable for taxable year 2025, in no case shall the Department issue more than $3 million in tax credits pursuant to this section in any fiscal year of the Commonwealth. A taxpayer shall not be allowed to claim any tax credit unless it has applied to the Department of Environmental Quality for certification as described in subdivision A 2 and the Department of Environmental Quality has issued a written certification stating that the machinery and equipment purchased are integral to the recycling process. If the amount of tax credits approved under this section by the Department for any taxable year exceeds $3 million, the Department shall apportion the credits by dividing $3 million by the total amount of tax credits so approved to determine the percentage of otherwise allowed tax credits each taxpayer shall receive.

E. In the event a corporation converts to a partnership, limited liability company, or electing small business corporation (S corporation), such business entity shall be entitled to any unused credits of the corporation. Credits earned by a partnership, limited liability company, or electing small business corporation (S corporation), or a predecessor corporation entitled to such credits, shall be allocated to the individual partners, members, or shareholders, respectively, in proportion to their ownership or interest in such business entities.

INTRODUCED

HB1524

2/2/24 10:31

DEPARTMENT OF TAXATION
2024 Fiscal Impact Statement

1. **Patron** Alfonso H. Lopez

2. **Bill Number** HB 1524
House of Origin:
X **Introduced**
_____ **Substitute**
_____ **Engrossed**

Second House:
_____ **In Committee**
_____ **Substitute**
_____ **Enrolled**

3. **Committee** House Finance

4. **Title** Asphalt Recycling Tax Credit

5. **Summary/Purpose:**

This bill would establish a nonrefundable tax credit in an amount equal to twenty percent of the purchase price paid for machinery and equipment used to reclaim, recycle, or reprocess existing asphalt materials from pavements and roadways in the Commonwealth of Virginia. No more than $3 million in credit could be issued each fiscal year.

This bill would be effective for taxable years beginning on and after January 1, 2025, but before January 1, 2030.

6. **Budget amendment necessary:** Yes.
Item(s): 257 and 258, Department of Taxation

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)
7a. Expenditure Impact:

Fiscal Year	***Dollars***	***Positions***	***Fund***
2024-25	$239,430	1	GF
2025-26	$515,960	1	GF
2026-27	$69,640	1	GF
2027-28	$69,640	1	GF
2028-29	$69,640	1	GF
2029-30	$69,640	1	GF

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation estimates that the provisions of this bill would result in administrative costs of $239,430 in FY 2025, $515,960 in FY 2026, and $69,640 in each Fiscal Year thereafter. These costs include legal, tax processing, and technology costs associated with establishing this new credit. These costs also include the addition of one new full-time employee to monitor the credit and handle the Department’s responsibilities under this credit.

Revenue Impact

This bill would have an unknown negative General Fund revenue impact of up to $3 million beginning in Fiscal Year 2026 and each year thereafter. The impact is unknown because it is unknown how many taxpayers would apply for the credit, nor is the cost of qualifying equipment taxpayers claiming the credit would choose to purchase known. However, because this credit would be subject to an annual credit cap of $3 million, the revenue impact of this bill would not exceed $3 million per fiscal year.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Environmental Quality

10. Technical amendment necessary: No.

11. Other comments:

Recyclable Material Processing Equipment Tax Credit

The Recyclable Materials Processing Equipment Tax Credit is an individual and corporate income tax credit for purchases made during the taxable year of machinery and equipment used predominantly in or on the premises of manufacturing facilities or plant units that manufacture, process, compound or produce items of tangible personal property from recyclable materials within Virginia for sale.

The purchase of machinery and equipment used in advanced recycling is also eligible for the credit. "Advanced recycling" is defined as the operation of a single-stream or multi-stream recycling plants that convert waste materials into new materials for resale by processing them and breaking them down into their raw constituents. This includes the operation of a materials recovery facility or materials reclamation facility that receives, separates, and prepares recyclable materials for sale to end-user manufactures

The amount of the credit is equal to 20 percent of a taxpayer's qualifying expenditures and cannot exceed 40 percent of its Virginia income tax liability for the year. The credit is nonrefundable and nontransferable. Credits in excess of a taxpayer's income tax liability may be carried forward for up to 10 taxable years. The credit is subject to an annual credit cap of $2 million.

DEQ is tasked with certifying eligible recycling equipment. The Department is responsible for administering eligible tax credits for certified equipment.

Property Tax Exemptions for Recycling Equipment, Facilities, and Devices.

Local governments in Virginia have the option of exempting or partially exempting DEQ certified recycling facilities and equipment from property taxes. Once certified, the machinery and equipment may qualify for a local tax exemption based on current value assessment by taxing authority.

Proposed Legislation

This bill would create a nonrefundable tax credit in an amount equal to twenty percent of the purchase price paid during the taxable year for machinery and equipment used to reclaim, recycle, or reprocess existing asphalt materials from pavements and roadways in the Commonwealth of Virginia. In determining the “purchase price paid,” the taxpayer would use the original total capitalized cost of the machinery and equipment minus the capitalized interest.

The amount of the credit allowed in any taxable year would be limited to no more than forty percent of the taxpayer’s Virginia income tax liability, and any excess credit could be carried forward for up to ten years. The total amount of aggregate credits issued would be limited to no more than $3 million per fiscal year. If the amount of tax credits approved exceeds $3 million, the credit would be prorated.

The taxpayer would be required to apply with DEQ to certify that the machinery and equipment are integral to the recycling process before the taxpayer would be allowed the tax credit. The bill would require a taxpayer to submit invoices with their income tax return verifying the amount of purchase price paid for machinery and equipment.

If a corporation converts to a partnership, limited liability company, or electing small business (S corporation), the business entity would be entitled to any unused credits. Credits earned by a partnership, limited liability company, or electing small business corporation, or a predecessor corporation entitled to credits, would be required to allocate such credits to the individual partners, members, or shareholders in proportion to their ownership or interest.

This bill would be effective for taxable years beginning on and after January 1, 2025, but before January 1, 2030.

cc : Secretary of Finance

Date: 2/4/2024 ALS
HB1524F161

COMMONWEALTH OF VIRGINIA

HOUSE OF DELEGATES
RICHMOND

DON SCOTT
SPEAKER
Speaker's Room
State Capitol
Post Office Box 406
Richmond, Virginia 23218

COMMITTEE ASSIGNMENTS:
RULES (CHAIR)

May 23, 2024

Michael Bisogno, Acting Director
Department of General Services
1100 Bank Street, Suite 420
Richmond, Virginia 23219

RE: House Bill 1524

Dear Mr. Bisogno:

During the 2024 General Assembly Session, the House Finance Committee continued House Bill 1524 to the 2025 General Assembly Session with the intent of further studying the legislation over the interim.

House Bill 1524, introduced by Delegate Alfonso Lopez, sought to provide tax credits for mobile asphalt recycling machinery and equipment. In consultation with the Public Body Procurement Workgroup and the Department of Environmental Quality, I ask that the Department of General Services study the following:

1. Avenues to provide funding via tax credits or incentives to expedite the acquisition of asphalt recycling machinery and equipment used on project sites by contractors.
2. Increasing the percentage of RAP (Recycled Asphalt Pavement) in asphalt mixes allowed at fixed production facilities above current specification limits while not compromising quality.
3. Cost savings to the Commonwealth where in-place asphalt pavement recycling and where asphalt mixes with higher than the current specified levels of RAP percentages are allowed.
4. The environmental impacts of increased RAP percentages compared to existing RAP percentages on asphalt mixes purchased for VDOT contracts.
5. The durability, safety, and longevity of pavement surfaces built with higher percentages of RAP in Virginia and in the United States.
6. Use of repurposed waste materials, such as tires, in asphalt mixes on VDOT projects.

Please complete your work and advise me and the patron of the results of your review prior to the 2025 General Assembly Session.

Sincerely,

Don Scott
Speaker of the House

Cc: The Honorable Alfonso Lopez
The Honorable Vivian Watts
Cathy Hooe, House Committee Operations

COMMONWEALTH OF VIRGINIA

HOUSE OF DELEGATES
RICHMOND

DON SCOTT
SPEAKER
Speaker's Room
State Capitol
Post Office Box 406
Richmond, Virginia 23218

COMMITTEE ASSIGNMENTS:
RULES (CHAIR)

Britt Olwine, Division of Legislative Services
Troy Hatcher, Division of Legislative Services

Public Body Procurement Workgroup

Draft Recommendations for HB 1355

Recommendation 1:

The Workgroup recommends that the General Assembly consider amending Chapter 35 of Title 2.2 to require compliance with Title II of the Americans with Disabilities Act (ADA) for all covered entities and that, after the federal deadline of April 2026 to comply with the federal standards, then the General Assembly should determine if additional requirements should be added to the Code.

Recommendation 2:

The Workgroup recommends that the General Assembly consider amending Chapter 35 of Title 2.2 to add public schools to the definition of covered entity.

Recommendation 3:

The Workgroup recommends that the General Assembly consider amending Chapter 35 of Title 2.2 to prioritize outward facing systems and applications

Recommendation 4:

The Workgroup recommends that the General Assembly consider amending Chapter 35 of Title 2.2 to expanding the reporting requirements by covered entities on non-accessible technology to include: (i) identifying non-accessible technology, and (ii) estimating the fiscal impact to bring such technology into compliance. Additionally, the General Assembly should consider requiring covered entities to report to their appropriate executive branch agency, such information on an annual basis to, and that agency report to the General Assembly, rather than to the Secretary of Administration. (like Local Public Schools to the Department of Education)

Recommendation 5:

The Workgroup recommends that the General Assembly consider amending Chapter 35 of Title 2.2 to require that covered entities publish in a clear, easily accessible, area on its website who should be contacted when an accessibility barrier is identified.

Recommendation 6:

The Workgroup recommends that, when amending Chapter 35 of Title 2.2, the General Assembly not include (i) grievance procedure language (like that found in lines 183-89 of the engrossed version of HB1355), because other applicable federal and state laws already provide procedures for remedies, or (ii) specific contractual penalty or consequence language (like that found in lines 133-41 of the engrossed version of HB3155), because public bodies already have the authority to address noncompliance with law or with contract provisions.

Public Body Procurement Workgroup

Draft Recommendations for SB 492

Recommendation 1:

The Workgroup recommends that the General Assembly consider amending Chapter 43 of Title 2.2 to explicitly prohibit the use of forced labor and oppressive child labor by requiring that public bodies include in public contracts a provision requiring contractors to agree that the contractor and its subcontractors and suppliers shall not employ or use forced labor or oppressive child labor in the performance of their obligations under the contract.