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HOUSE BILL NO. 592

Offered January 12, 2022

Prefiled January 11, 2022

A *BILL to amend the Code of Virginia by adding in Article 13 of Chapter 3 a section numbered § 58.1-439.12:13, relating to income tax credit; conversion to employee ownership.*

Patron—Clark

Committee Referral Pending**Be it enacted by the General Assembly of Virginia:**

1. That the Code of Virginia is amended by adding in Article 13 of Chapter 3 a section numbered § 58.1-439.12:13 as follows:

§ 58.1-439.12:13. Tax credit for conversion to employee ownership.

A. For purposes of this section, "eligible business" means a business operated in Virginia that (i) transfers whole or partial ownership to employees in the form of a worker cooperative, an employee stock ownership plan, an employee ownership trust, an employee equity grant program, or an employee stock purchase plan or (ii) is conducting a feasibility study for a transition to such employee ownership models.

B. For taxable years beginning on and after January 1, 2022, but before January 1, 2027, an eligible business may claim a nonrefundable, one-time credit against the tax levied pursuant to § 58.1-320 or 58.1-400 for transferring ownership to employees or for costs of conducting a feasibility study for transferring ownership of the business to employees. The amount of the credit shall be \$5,000 for each eligible business transferring ownership to employees or up to \$5,000 for the actual costs incurred in conducting a feasibility study for transferring ownership of the eligible business to employees as described in subsection A. The credit may only be claimed for the taxable year in which the eligible business transfers ownership to its employees or incurs costs for conducting an employee ownership feasibility study.

C. The total amount of tax credits available under this section for a taxable year shall not exceed \$5 million. In the event that applications for such credits exceed \$5 million for any taxable year, the Department shall allocate the credits on a pro rata basis.

D. The amount of the credit that may be claimed in any single taxable year shall not exceed the total amount of tax imposed by this chapter for that taxable year. If the amount of the credit allowed under this section exceeds the taxpayer's tax liability for the taxable year in which the eligible business transfers ownership to employees or conducts a feasibility study for such an ownership transfer, the amount that exceeds the tax liability may be carried over for credit against the income taxes of the taxpayer in the next five taxable years or until the total amount of the tax credit has been taken, whichever is sooner.

E. The Tax Commissioner shall develop guidelines for claiming the credit provided by this section. Such guidelines shall be exempt from the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).

INTRODUCED

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