Virginia Port Credits

January 2012

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The Virginia Department of Taxation made available three different tax credits that can be used by taxpayers who engage in business using Virginia ports. These credits are intended to stimulate and incentivize the use of Virginia Ports.

Barge and Rail Usage Tax Credit

This tax credit is available for tax years beginning on or after January 1, 2011 but before January 1, 2015. To be eligible for the credit, the entity must be doing business in Virginia, use Virginia ports, and have sole discretion and authority to move cargo containers originating or terminating in Virginia. The taxpayer receives a credit in the amount of $25 per 20-foot equivalent unit (TEU) in excess of the number of TEUs used in the immediately preceding tax year. Taxpayers must file Form BRU by April 1 of the year following the tax year in which the credit was earned. If taxpayers request more than $1.5 million in credits per year, the credit will be prorated. This credit can be carried forward for up to 5 years, but cannot be carried back.

International Trade Facility Tax Credit

This tax credit is available for tax years beginning on or after January 1, 2011 but before January 1, 2015. This credit is available for either creating new jobs or capital investments in an international trade facility as a result of increasing trade volume by 10% over the prior year. Trade volume is measured in TEU and takes into consideration imports and exports moved through a Virginia Port Authority-operated cargo facility. The credit is worth either $3,000 per qualified full-time employee that resulted from the increased trade activity **or** 2% of qualified capital investment expenses made by the taxpayer to facilitate increased trade activity. This credit doubles if your trade facility is located in one of Virginia's tobacco-dependent localities. In the case where a qualified full-time employee works in Virginia for less than 12 months, the credit is computed by multiplying the credit by a fraction (number of months worked / 12) Taxpayers must file Form ITF by April 1 of the year following the tax year in which the credit was earned. If taxpayers request more than $250,000 per year, the credit will be prorated.

This tax credit cannot exceed 50% of the taxpayer's liability and can be carried forward for 10 years. The legislation lays out a recapture plan if the amount of fulltime employees decreases after the tax year the credit was used. This recapture period is for 5 years. There are several other restrictions related to related-party hiring and what qualifies as a new full-time employee.

Port Volume Increase Tax Credit

This tax credit is for taxpayers engaged in the manufacturing of goods or the distribution of manufactured goods, including processed agricultural products. To be eligible for the credit, the taxpayer must use public or private port facilities located in Virginia and increase port cargo at these facilities by a minimum of 5% in a single calendar year over their base year cargo volume. The credit is $50 per TEU in excess of 100% of the prior year volume. To qualify for this credit, the entity must have transported at least 10 TEU through Virginia ports in the prior year.

One exception to this rule applies to major facilities. Major facilities are described in the regulations as a **new** facility located in Virginia that expects to import or export cargo through a port in excess of 25,000 TEUs in its first calendar year. For those qualifying as major facilities, there is no base year for the calculation. Instead, for each TEU transported through a Virginia port, the taxpayer is eligible for a $25 credit.

This tax credit is available for tax years beginning on or after January 1, 2011 but before January 1, 2016. This credit is capped at $250,000 per taxpayer and $3.2M for the entire state. The credit can be carried forward up to 5 years. Taxpayers must submit Form PVI with the appropriate schedules by March 1st of the calendar year following the calendar year during which the credits were earned. If by March 15th of each year the $3.2 million amount of credit has not been fully allocated among all qualifying taxpayers, then those taxpayers who have been allocated a credit for the prior year shall be allowed a pro rata share of the remaining allocated credit, up to $3.2 million.

Should you have any questions regarding the details of these credits, or feel that you may be able to benefit from the use of the credits, please contact Jen Flinchum (JFlinchum@keitercpa.com) for more assistance.

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