

# **ADDENDUM**

## MARTINSVILLE CITY COUNCIL AGENDA

January 23, 2018

### **7:30 pm – REGULAR SESSION ADDENDUM**

1. Consider adoption of a Council Resolution in support of House Bill 222 introduced by 3<sup>rd</sup> District House Delegate James W. Morefield.

**Meeting Date:** January 23, 2018

**Item No:** Addendum 1

**Department:** City Council

**Issue:** Consider adoption of a Council Resolution in support of House Bill 222 introduced by 3<sup>rd</sup> District House Delegate James W. Morefield.

**Summary:** Delegate James W. Morefield has introduced for consideration in the 2018 session of the General Assembly, House Bill 222 that establishes an income tax modification intended to incentivize companies that, from 2018 through 2028 either (1) invest at least \$5 million in new capital investment and create 10 jobs in a qualified locality, or (2) create at least 50 jobs in a qualified locality.

Under HB 222, qualified localities include the counties of Bland, Buchanan, Dickenson, Lee, Russell, Scott, Smyth, Tazewell, Wise, Grayson, Henry, Halifax, and Pittsylvania, and the cities of Bristol, Norton, Danville, Galax, Petersburg, and Martinsville. A number of qualified localities have proceeded to lend support to HB 222 through adoption of resolutions from their respective localities.

**Attachments:** HB 222 Summary and Resolution

**Recommendations:** Adoption of the attached resolution and forward a signed copy to Delegate Morefield's office.

*Council Members*  
Gene Teague, Mayor  
Chad Martin, Vice-Mayor  
Jennifer Bowles  
Sharon Brooks Hodge  
Kathy Lawson



*City Manager*  
Leon E. Towarnicki  
*City Attorney*  
Eric H. Monday  
*Clerk of Council*  
Karen Roberts

## **RESOLUTION**

### **IN SUPPORT OF HOUSE BILL 222**

**WHEREAS**, Virginia House Delegate James W. Morefield has introduced House Bill 222 into the Virginia General Assembly for consideration in the 2018 session, which seeks to provide a state income tax incentive for companies that, from 2018 through 2028, either (1) invest at least \$5 million in new capital investment and create 10 jobs in a qualified locality, or (2) create at least 50 jobs in a qualified locality; and

**WHEREAS**, HB 222 defines qualified localities to include the counties of Bland, Buchanan, Dickenson, Lee, Russell, Scott, Smyth, Tazewell, Wise, Grayson, Henry, Halifax, and Pittsylvania, and the cities of Bristol, Norton, Danville, Galax, Petersburg, and Martinsville; and

**WHEREAS**, such tax incentives will provide incentives for private persons, partnerships, and corporations to locate their enterprises in such qualified localities, broaden the tax base with their investment, and improve the economy by creating employment opportunities for local residents; and

**WHEREAS**, Martinsville City Council desires to support said legislation by joining with the affected localities in approving this joint resolution,

**NOW THEREFORE BE IT RESOLVED** by Martinsville City Council on this 23rd<sup>th</sup> day of January, 2018, that it does hereby support House Bill 222 sponsored by Delegate James W. Morefield, for the purposes of increasing economic development opportunities in the City of Martinsville and other qualified localities.

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M. Gene Teague, Mayor

2018 SESSION

**HB 222 Income tax, corporate & state; modification for certain companies & subtraction for their employees.**

Introduced by: James W. Morefield | [all patrons](#) ... [notes](#) | [add to my profiles](#)

**SUMMARY AS INTRODUCED:**

**Income tax; modification for certain companies and subtraction for their employees; local grants.** Establishes an income tax modification for companies that, from 2018 through 2028, either (i) invest at least \$5 million in new capital investment in a qualified locality and create at least 10 jobs in a qualified locality or (ii) create at least 50 jobs in a qualified locality. Such companies are exempt from withholding for their employees that reside in a qualified locality.

The bill defines qualified locality to include (i) the Counties of Bland, Buchanan, Dickenson, Lee, Russell, Scott, Smyth, Tazewell, and Wise or the Cities of Bristol and Norton, (ii) the Counties of Grayson, Henry, Halifax, or Pittsylvania or the Cities of Danville, Galax, or Martinsville, and (iii) the City of Petersburg. Qualified locality also includes certain real property owned or partly owned by such localities outside of their territorial boundaries.

A company is eligible to claim the subtraction if it had no property or payroll in Virginia or if it had property or payroll in a qualified locality on the effective date of the act and remits its applicable estimated tax to the Tax Department. The bill authorizes the Commonwealth's Development Opportunity Fund and the Tobacco Indemnification and Community Revitalization Fund to issue grants or loans to eligible companies to pay their estimated tax liability. The bill defines applicable estimated tax as the sum of (i) the company's tax liability, calculated without allowing the modification, and (ii) the amount it would have been required to withhold for each of its employees that reside in a qualified locality.

Generally, the amount of the modification is the value of the company's property and payroll in qualified localities. The bill provides similar modifications for industries that use different apportionment formulas including motor carriers, financial companies, construction companies, railway companies, manufacturing companies, retailers, and businesses with enterprise data center operations.

The bill also establishes a subtraction from individual income tax for employees of an eligible company. Eligibility for the corporate and individual income tax subtractions shall continue for nine years following the year in which the company initially makes a modification to its apportionment formula. Continuing eligibility is contingent on the company maintaining its capital investment and jobs created in qualified localities.

The bill permits (i) the Counties of Bland, Buchanan, Dickenson, Lee, Russell, Scott, Smyth, Tazewell, and Wise and the Cities of Bristol and Norton, (ii) the Counties of Grayson, Henry, Halifax, and Pittsylvania and the Cities of Danville, Galax, and Martinsville, and (iii) the City of Petersburg to provide grants and loans to companies that qualify for the modification provided by the bill. The bill also authorizes all industrial development authorities to provide grants and loans to such companies.

**FULL TEXT**

**12/29/17 House: Prefiled and ordered printed; offered 01/10/18 18100385D** [pdf](#)

**HISTORY**

**12/29/17 House: Prefiled and ordered printed; offered 01/10/18 18100385D**

**12/29/17 House: Referred to Committee on Finance**