

# Instructions for 2024 Schedule 500AP

## Modified Apportionment Schedule for VEDP-Certified Companies

### General Information

For taxable years beginning on or after January 1, 2018, but before January 1, 2025, certified companies conducting business in certain disadvantaged localities may elect to apportion Virginia income using modified apportionment factors. To be eligible, the company must not have any existing property and payroll in Virginia as of January 1, 2018, and must be certified by the Virginia Economic Development Partnership Authority (“VEDP”) as meeting the following qualifications before January 1, 2025:

- (1) either spend at least \$5 million on a new capital investment in a qualified locality or localities; or create at least 50 new jobs in a qualified locality or qualified localities (see list of qualified localities on Page 4);
- (2) is a traded-sector company; and
- (3) generates a positive fiscal impact.

A certified company may use the modification on the Virginia income tax return for the taxable year in which it becomes eligible and for the 6 subsequent, consecutive taxable years. However, an eligible company may not use the modification for any year in which (i) the total, cumulative new capital investment falls below the applicable initial threshold or (ii) the number of new jobs falls below the applicable initial threshold.

### Modified Apportionment Factors

Certified companies may elect to modify the application of its Virginia apportionment method according to the provisions of *Va. Code* §§ 58.1-407 through 58.1-420, 58.1-422, 58.1-422.1, or 58.1-422.2. This includes companies transacting or conducting business entirely within Virginia as well as companies operating within and without of Virginia.

If the entire business of a qualified company is transacted or conducted in Virginia, it may elect to (i) apportion its income between qualified localities and other localities in Virginia provided that it does not apportion any of its income to a state other than Virginia and (ii) use any modification for which it may be eligible as provided in *Va. Code* §§ 58.1-407 through 58.1-420, 58.1-422, 58.1-422.1, or 58.1-422.2.

In general, certified companies may decrease the amount of income apportioned to and taxed by Virginia. This decrease in income is accomplished by allowing certified companies the ability to subtract the amount reported in the numerator of each of their apportionment ratio(s). The computation depends upon whether the companies are subject to Virginia’s standard apportionment method or a specialized apportionment method, and is described later in these instructions.

### Definitions

**New capital investment**—real property acquired in a qualified locality or qualified localities on or after January 1, 2018,

but before January 1, 2025, and any improvements to real property in a qualified locality or qualified localities on or after January 1, 2018, but before January 1, 2025.

**New Job** – a permanent, full-time position of indefinite duration that pays at least 150 percent of the minimum wage, as defined in the Virginia Minimum Wage Act (§ 40.1-28.8 et seq.), and that requires a minimum of (i) 35 hours of an employee’s time a week for the entire normal year of the eligible company’s operations, which normal year shall consist of at least 48 weeks, or (ii) 1,680 hours per year.

**Traded Sector Company** – a company that directly or indirectly derives more than 50 percent of its revenue from out-of-state sources.

### Certification Overview

Prior to using certified company apportionment on the Virginia income tax return, **companies must be certified by VEDP and must be recertified annually**. To become certified, VEDP will determine whether a company will generate a positive fiscal impact based on the following factors:

- (1) job creation;
- (2) private capital investment; and
- (3) anticipated additional state and local tax revenue.

VEDP will also consider the additional revenue Virginia likely would expend in and for the localities if the economy in the localities continues to erode.

A company will be denied certification if VEDP determines it has engaged in a merger, acquisition, similar business combination, name change, change in business form, or other transaction if the primary purpose is to obtain status as an eligible company.

For details on the certification process, contact:

**Virginia Economic Development Partnership**  
**One James Center, Suite 900**  
**901 East Cary Street**  
**Richmond, VA 23219**  
**Phone: (804) 545-5706**

### Instructions

#### Part I – Single Factor Apportionment

Companies that are required to use a single factor apportionment method must complete the applicable line in Part I and then transfer the amount in Column C as follows:

- **Corporations:** Schedule 500A, Section B, Line 1, Column B.
- **Consolidated/Combined Filers:** Schedule 500AC, Section C, Line 1, Column B.
- **Pass-Through Entities:** Schedule 502A, Section B, Line 1, Column B.

**Line 1: Motor Carriers**

A certified motor carrier may modify its apportionment factor by subtracting the vehicle miles traveled in qualified Virginia localities from the amount of vehicle miles traveled everywhere in Virginia. This amount will be used as the numerator of the apportionment ratio, the denominator of which is total vehicle miles traveled everywhere, when calculating the Virginia apportionment percentage on the appropriate apportionment schedule.

The modified motor carrier apportionment calculation is as follows:

$$\frac{\text{Vehicle miles in all of VA - vehicle miles in qualified VA localities}}{\text{Vehicle miles everywhere}}$$

To calculate the numerator of the apportionment ratio on Schedule 500AP, subtract the vehicle miles attributable to qualified localities in Virginia (Line 1, Column B) from the vehicle miles attributable to all of Virginia (Line 1, Column A). The result on Line 1, Column C is your modified Virginia numerator that will be used when completing the appropriate apportionment schedule.

**Line 2: Financial Corporations**

A certified financial corporation may modify its apportionment factor by subtracting the value of business conducted in qualified Virginia localities from the value of business conducted in all of Virginia. This amount will be used as the numerator of the apportionment ratio, the denominator of which is total value of business conducted everywhere, when calculating the Virginia apportionment percentage on the appropriate apportionment schedule.

The modified financial corporation apportionment calculation is as follows:

$$\frac{\text{Business in all of VA - business in qualified VA localities}}{\text{Business everywhere}}$$

To calculate the numerator of the apportionment ratio on Schedule 500AP, subtract the value of business attributable to qualified localities in Virginia (Line 2, Column B) from the value of business attributable to all of Virginia (Line 2, Column A). The result on Line 2, Column C is your modified Virginia numerator that will be used when completing the appropriate apportionment schedule.

**Line 3: Construction Companies**

A certified construction company may modify its apportionment factor by subtracting the value of business conducted in qualified Virginia localities from the value of business conducted in all of Virginia. This amount will be used as the numerator of the apportionment ratio, the denominator of which is total value of business conducted everywhere, when calculating the Virginia apportionment percentage.

The modified construction company apportionment calculation is as follows:

$$\frac{\text{Business in all of VA - business in qualified VA localities}}{\text{Business everywhere}}$$

Business everywhere

To calculate the numerator of the apportionment ratio on Schedule 500AP, subtract the value of business attributable to qualified localities in Virginia (Line 3, Column B) from the value of business attributable to all of Virginia (Line 3, Column A). The result on Line 3, Column C is your modified Virginia numerator that will be used when completing the appropriate apportionment schedule.

**Line 4: Railway Companies**

A certified railway company may modify its apportionment factor by subtracting revenue car miles traveled in qualified localities in Virginia from revenue car miles traveled in all of Virginia. This amount will be used as the numerator of the fraction, the denominator of which is total revenue car miles traveled everywhere, when calculating the Virginia apportionment percentage.

The modified railway company apportionment calculation is as follows:

$$\frac{\text{Revenue car miles in all of VA - revenue car miles in qualified VA localities}}{\text{Revenue car miles everywhere}}$$

Revenue car miles everywhere

To calculate the numerator of the apportionment ratio on Schedule 500AP, subtract the revenue car miles attributable to qualified localities in Virginia (Line 4, Column B) from the revenue car miles attributable to all of Virginia (Line 4, Column A). The result on Line 4, Column C is your modified Virginia numerator that will be used when completing the appropriate apportionment schedule.

**Line 5: Retail Companies**

A certified retail company with a positive sales factor may subtract from the numerator of the apportionment ratio the value of sales in all of Virginia, the denominator of which is the value of sales everywhere. The modified retail company apportionment calculation is as follows:

$$\frac{\text{Sales in all of VA - sales in all of VA}}{\text{Sales everywhere}}$$

Sales everywhere

Since the numerator is reduced to zero, a certified retail company will not owe Virginia income tax. However, the applicable apportionment schedule must be completed and submitted with the Virginia income tax return. Report the value of sales in all of Virginia on Line 5, Column A. On Line 5, Column B, report the value of sales in qualified localities. When completing the appropriate apportionment schedule, enter -0- in Column B on the applicable line.

**Line 6: Manufacturer's Modified Apportionment Method**

A certified manufacturing company using a single sales factor method of apportionment that has a positive sales factor may subtract from the numerator of the apportionment ratio the value of sales in all of Virginia, the denominator of which is the value of sales everywhere. The modified manufacturing company apportionment calculation is as follows:

Sales in all of VA - sales in all of VA

Sales everywhere

Since the numerator is reduced to zero, a certified manufacturing company using a single sales factor apportionment method will not owe Virginia income tax. However, the applicable apportionment schedule must be completed and submitted with the company's Virginia income tax return. Report the value of sales in all of Virginia on Line 6, Column A. On Line 6, Column B, report the value of sales in qualified localities. When completing the appropriate apportionment schedule, enter -0- in Column B on the applicable line

### Line 7: Enterprise Data Center Operations

A certified enterprise data center operation with a positive sales factor may subtract from the numerator of the apportionment ratio the value of sales in all of Virginia, the denominator of which is the value of sales everywhere. The modified enterprise data center operation apportionment calculation is as follows:

Sales in all of VA - sales in all of VA

Sales everywhere

Since the numerator is reduced to zero, a certified enterprise data center operation will not owe Virginia income tax. However, the applicable apportionment schedule must be completed and submitted with the company's Virginia income tax return. Report the value of sales in all of Virginia on Line 7, Column A. On Line 7, Column B, report the value of sales in qualified localities. When completing the appropriate apportionment schedule, enter -0- in Column B on the applicable line.

## Part II – Multi-Factor Apportionment

Companies that are required to use the standard double-weighted sales factor apportionment method must complete Lines 8(a)-8(c).

If one of the factors does not exist, enter -0- in Column A, B, and/or C. Transfer the amounts in Column C to the appropriate apportionment schedule as follows:

- **Corporations:** Schedule 500A, Section B, Lines 2(a), 2(b), and 2(c).
- **Consolidated/Combined Filers:** Schedule 500AC, Section C, Lines 2(a), 2(b), and 2(c).
- **Pass-Through Entities:** Schedule 502A, Section B, Lines 2(a), 2(b), and 2(c).

### Line 8(a): Property Factor

The numerator of the property factor apportionment ratio of a certified company may be reduced by an amount equal to the value of its property acquired in qualified Virginia localities on or after January 1, 2018, but before January 1, 2025. The modified property factor apportionment calculation is as follows:

Property in all of VA - property in qualified VA localities

Total property everywhere

On Line 8(a), Column A, enter the value of property in all of Virginia. On Line 8(a), Column B, enter the value of eligible property in qualified Virginia localities. Subtract the value of property in Column B from the value of property in Column A. Enter the result in Column C. This is the modified Virginia numerator of your property factor. You should transfer your modified Virginia numerator to the appropriate apportionment schedule as described above.

### Line 8(b): Payroll Factor

The numerator of the payroll factor apportionment ratio of a certified company may be reduced by an amount equal to the value of its payroll attributable to jobs created in qualified Virginia localities on or after January 1, 2018, but before January 1, 2025. The modified payroll factor apportionment computation is as follows:

Payroll in all of VA - payroll in qualified VA localities

Total payroll everywhere

On Line 8(b), Column A, enter the value of payroll in all of Virginia. On Line 8(b), Column B, enter the value of payroll in qualified Virginia localities. Subtract the value of payroll in Column B from the value of payroll in Column A. Enter the result in Column C. This is the modified Virginia numerator of your payroll factor. You should transfer your modified Virginia numerator to the appropriate apportionment schedule as described above.

### Line 8(c): Sales Factor

A certified company with a positive sales factor may subtract from the numerator of the apportionment ratio the value of sales in all of Virginia, the denominator of which is the value of sales everywhere. The modified sales factor calculation is as follows:

Sales in all of VA - sales in all of VA

Sales everywhere

Report the value of sales in all of Virginia on Line 8(c), Column A. On Line 8(c), Column B, report the value of sales in qualified localities. When completing the appropriate apportionment schedule, enter -0- in Column B on the applicable line.

## Qualified Localities

Companies must operate in a **qualified locality** (see the lists of qualified localities below) or operate in a qualified development site to be eligible to use certified company apportionment. A **qualified development site** is real property that is in a locality adjacent to a qualified locality and, before January 1, 2018, either:

- (1) was owned or partly owned by a qualified locality or an industrial development authority of which a qualified locality is a member or
- (2) was owned or partly owned by a locality or industrial development authority, was leased to a private party, and was subject to a revenue-sharing agreement providing that a portion of the revenues from the lease would be distributed to a qualified locality.

List of Qualified Localities – Cities		
Bristol	Galax	Norton
Danville	Martinsville	Petersburg

List of Qualified Localities – Counties		
Accomack	Essex	Northumberland
Alleghany	Giles	Nottoway
Amelia	Gloucester	Page
Appomattox	Grayson	Patrick
Bland	Halifax	Pittsylvania
Brunswick	Henry	Prince Edward
Buchanan	King and Queen	Richmond
Buckingham	King William	Russell
Caroline	Lancaster	Scott
Carroll	Lee	Smyth
Charlotte	Lunenburg	Tazewell
Craig	Mathews	Washington
Cumberland	Mecklenburg	Westmoreland
Dickenson	Middlesex	Wise
Dinwiddie	Northampton	Wythe

**Where to Get Help**

For questions about eligibility and certification, contact:

**Virginia Economic Development Partnership**  
**One James Center, Suite 900**  
**901 East Cary Street**  
**Richmond, VA 23219**  
**Phone: (804) 545-5706**

For questions about using certified company apportionment on your Virginia income tax return, visit [www.tax.virginia.gov](http://www.tax.virginia.gov) or contact:

**Virginia Department of Taxation**  
**P.O. Box 1115**  
**Richmond, Virginia 23218-1115**  
**Phone: (804) 367-8037**  
**Fax: (804) 254-6111**