

## **DRAFT FORM — NOT FOR FILING**

This draft form has been updated to include the most recent changes effective for Tax Year 2025 Virginia returns. If legislative changes or issues arise, we will post a new version of this draft form.

Please continue to monitor [tax.virginia.gov/early-release-forms](https://tax.virginia.gov/early-release-forms) for future drafts of this form. Once forms are final, we will post them on our website at [tax.virginia.gov/forms](https://tax.virginia.gov/forms).

# Instructions for 2025 Virginia Schedule CR

## Credit Computation Schedule for Individuals For use with Forms 760, 760PY, 763, and 765

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For information or to obtain forms, visit [www.tax.virginia.gov](http://www.tax.virginia.gov) or call 804.367.8031.  
Tenemos servicios disponible en Español.

## General Instructions

Each section of Schedule CR notes the carryover period, if any, that applies to the credit. As a general rule, the maximum nonrefundable credit available is the amount on Schedule CR, Section 1, Part 1, Line 1A, reduced by the other credits claimed, regardless of the order on Schedule CR. There are 4 refundable credits aggregated on this schedule: Motion Picture Production Tax Credit, Agricultural Best Management Practices Tax Credit, Conservation Tillage and Precision Agriculture Equipment Tax Credit, and Pass-Through Entity Elective Tax Payment Credit. These refundable credits are reported in Section 3 of Schedule CR. The combined total of nonrefundable and refundable credits is entered on Form 760, Line 25; Form 760PY, Line 25; or Form 763, Line 25.

If the total of your nonrefundable credits exceeds the balance of the maximum nonrefundable credit available, the following rules will ensure that you receive the maximum benefit of your credits:

- First claim any nonrefundable credits without carryforward provisions;
- Next, claim any carryover credits from prior years (in expiration order);
- Then, use any current year credits in the order of their carryover provision;
- Finally, report any unused credits as carryovers for succeeding taxable years to the extent allowed by law.

Partners of a partnership, shareholders of an S corporation, and members of a limited liability company may claim the amount of credit passed through to them by the partnership, S corporation, or limited liability company. Generally, distributions of a credit by a partnership, S corporation, or limited liability company to its partners, shareholders, or members are in proportion to their ownership or interest in the partnership, S corporation, or limited liability company. Any partnership, S corporation, or limited liability company distributing a credit to its partners, shareholders, or members must issue each owner a Schedule VK-1.

## Maximum Nonrefundable Credits

The total nonrefundable credits claimed on Schedule CR may not exceed the amount of tax shown on your return less the total amount reported for the spouse tax adjustment, credit for tax paid to another state, and credit for low-income individuals or the nonrefundable Virginia Earned Income Credit.

## Trust Beneficiary Accumulation Distribution Tax Credit

If only claiming the credit set forth under Va. Code § 58.1-370 on Schedule CR, enter the amount of this credit on Form 760, Line 25; Form 760PY, Line 25; or Form 763, Line 25. Write "Trust Beneficiary Accumulation Distribution Credit" to the left of the entry box. If you are claiming other credits on Schedule CR, add the amount of this credit to the total on Schedule CR, Section 2, Line 1A. **A schedule showing the credit computation must be enclosed with your return.**

## Enterprise Zone Act Tax Credit

This credit expired June 30, 2019. Only Enterprise Zone Real Property Investment Tax Credit carryover amounts from prior years are allowed. Use the worksheet below to determine the carryover amount that can be used on this year's tax return.

- |  |          |     |
|--|----------|-----|
| A. Credit carried over from prior years:   | \$ _____ | .00 |
| B. Allowable credit: Enter the amount from Line A or the maximum credit allowed: | \$ _____ | .00 |
| C. Amount to be carried over to next year (subtract Line B from Line A)          | \$ _____ | .00 |

Enter the allowable credit from Line B of the worksheet in Section 1, Line 2A.

For additional information, contact: **Virginia Department of Housing and Community Development, Real Estate Office, Main Street Centre, 600 East Main Street, Suite 300, Richmond, VA 23219-1321**, call **804.371.7000** or email **ezone@dhcd.virginia.gov**.

## Neighborhood Assistance Act Tax Credit

The Virginia Neighborhood Assistance Act provides tax credits to individuals and businesses that make qualified donations directly to pre-approved Neighborhood Assistance Program organizations whose primary function is to provide educational or other qualified services for the benefit of low-income families. Individuals may receive a credit for a donation of money or marketable securities to an eligible organization. Businesses may receive a credit for a donation of money, marketable securities, property, limited professional services or contracting services. Licensed veterinarians, physicians, dentists, nurses, nurse practitioners, physician assistants, chiropractors,

optometrists, dental hygienists, pharmacists, professional counselors, clinical social workers, clinical psychologists, marriage and family therapists, physical therapists, physician specialists, or mediators who donate their services for an approved organization may be eligible for credits. The amount of credit attributable to a partnership or S corporation must be allocated to the partners and shareholders in proportion to their ownership or interest in the partnership or S corporation. Any unused tax credits may be carried forward for the next 5 taxable years. For a list of approved organizations or additional information, contact the **Virginia Department of Social Services, Neighborhood Assistance Program, 5600 Cox Road, 3rd Floor, Glen Allen, VA 23060** or send an email to **NAP@dss.virginia.gov** or contact the **Virginia Department of Education, 23rd Floor, P.O. Box 2120, Richmond, VA 23218-2120, Attn: Neighborhood Assistance Tax Credit Program for Education** or email **tax.credits@doe.virginia.gov**.

## Recyclable Materials Processing Equipment Tax Credit

For taxable years beginning on or after January 1, 1999, and before January 1, 2027, an income tax credit may be claimed for purchases made during the taxable year for:

- (i) machinery and equipment used predominantly in or on the premises of manufacturing facilities or plant units which manufacture, process, compound or produce items of tangible personal property from recyclable materials within the Commonwealth for sale.
- (ii) machinery and equipment used predominantly in or on the premises of facilities that are predominantly engaged in advanced recycling.

For purposes of determining "purchase price paid," the taxpayer may use the original total capitalized cost of such machinery and equipment, less capitalized interest. The credit is 20% of expenditures and cannot exceed 40% of the taxpayer's Virginia income tax liability for the year, computed prior to computing the credit. Any amount unused this year may be carried forward for the next 10 taxable years.

"Advanced recycling" means the operation of a single-stream or multi-stream recycling plant that converts waste materials into new materials for resale by processing them and breaking them down into their raw constituents. "Advanced recycling" includes the operation of a materials recovery facility or materials reclamation facility that receives, separates, and prepares recyclable materials for sale to end-user manufacturers.

The total amount of credit approved for any tax year may not exceed \$2 million. If the amount of tax credits approved under this section by the Department of Taxation for any taxable year exceeds \$2 million, the Department will apportion the credits by dividing \$2 million by the total amount of tax credits so approved, to determine the percentage of otherwise allowed tax credits each taxpayer will receive.

The Virginia Department of Environmental Quality (DEQ) administers the certification of all recycling machinery and equipment. To allow adequate time for the recycling material and equipment to be certified by DEQ, submit a complete application including DEQ Form 50-11S and the required supporting documentation to DEQ by March 1. Submit your credit application, including the certification you receive from DEQ, to the Department of Taxation by June 1, using Form RMC. Submitting a late application will disqualify you from the credit. All approved applicants filing a timely Form RMC will be notified of the allowable credit by September 1. Since the due date for individual income tax returns is May 1, most claimants will need to file the tax return on extension or amend the original return to claim the credit.

For additional information on how to qualify for certification, contact the **Department of Environmental Quality, Equipment Certification Officer, P.O. Box 1105, Richmond, VA 23218 or call 804.971.2132.**

All applications, Forms RMC, must be submitted to the **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715.** This credit requires certification from the Tax Credit Unit to be claimed on your tax return. For form assistance, contact the Tax Credit Unit at the address above or call **804.786.2992.**

### **Conservation Tillage Equipment Tax Credit**

The Conservation Tillage Equipment Tax Credit expired January 1, 2021. For taxable years beginning on and after January 1, 2021, taxpayers will no longer be able to earn the Conservation Tillage Equipment Tax Credit. Credits earned in prior taxable years may be carried forward for 5 years. In addition, taxpayers formerly eligible for this credit may be eligible for the new Conservation Tillage and Precision Agriculture Equipment Tax Credit. Please see the description found later in these instructions for information on the new credit.

### **Precision Fertilizer and Pesticide Application Equipment Tax Credit**

The Precision Fertilizer and Pesticide Application Tax Credit expired January 1, 2021. For taxable years beginning on and after January 1, 2021, taxpayers will no longer be able to earn the Precision Fertilizer and Pesticide Application Tax Credit. Credits earned in prior taxable years may be carried forward for 5 years. In addition, taxpayers formerly eligible for this credit may be eligible for the new Conservation Tillage and Precision Agriculture Equipment Tax Credit. Please see the description found later in these instructions for information on the new credit.

### **Vehicle Emissions Testing Equipment Tax Credit**

The Vehicle Emissions Testing Equipment Tax Credit is 20% of the purchase or lease price paid during the taxable year for equipment certified by the Department of Environmental

Quality (DEQ) for vehicle emissions testing within a locality that is required by law to implement an enhanced vehicle emissions inspection program or within any locality adjacent to those localities required to implement the program.

The Department of Taxation does not require you to submit a specific tax form to claim the Vehicle Emissions Testing Equipment Tax Credit. Instead, enclose a copy of your Air Check Virginia Station Participation and Services Agreement or a copy of the Northern Virginia Analyzer Equipment Certification with the Schedule CR. For a copy of your service agreement, contact Opus Inspection at 703.822.7587. Only expenses listed in the agreement, or dynamometers purchased or leased separately are eligible. You may obtain a copy of the Analyzer Equipment Certification by contacting Air Check Virginia at 703.583.3800.

You should retain documentation to support your claim for the tax credit because an audit may be conducted to verify any credit claimed under these provisions.

### **Major Business Facility Job Tax Credit**

For taxable years beginning on and after January 1, 1995, but before July 1, 2025, individuals, estates, trusts, corporations, banks, insurance companies and telecommunications companies may claim a Virginia tax credit if the taxpayer creates at least 50 new full-time jobs in connection with the establishment or expansion of a major business facility, and the company is engaged in a qualifying industry in Virginia. If a taxpayer is located in an enterprise zone or in an economically distressed area (as defined by the Virginia Economic Development Partnership), the threshold is reduced from 50 to 25 new full-time jobs. Credits will be recaptured proportionately if employment decreases during the 5 years following the initial credit year.

This nonrefundable credit is equal to \$1,000 per qualifying new job in excess of the 50/25 job threshold in enterprise zones or economically distressed areas. This credit is spread ratably over 2 years for taxpayers whose initial credit year begins on or after January 1, 2009. The credit only applies to facilities where an announcement to expand or establish such a facility was made on or after January 1, 1994. The credit must be claimed ratably beginning with the taxable year following the year in which the facility is established or expanded, or the new qualifying jobs are added. Unused credits may be carried forward for the next 10 taxable years. A qualified business firm receiving an Enterprise Zone Job Creation Grant under Va. Code § 59.1-547 shall not be eligible to receive a Major Business Facility Job Tax Credit for any job used to qualify for the Enterprise Zone Job Creation Grant.

To apply for this credit, complete **Form 304.** All applications must be submitted to the **Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715** 90 days prior to the due date of your return. A letter will be sent to certify the credit. To claim this credit, complete Section 1, Part 8 of Schedule CR.



## Foreign Source Retirement Income Tax Credit

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A credit is available to Virginia residents who paid income tax to a foreign country on pension or retirement income derived from past employment in a foreign country, provided that such income is included in Virginia taxable income for the taxable year. For purposes of computing the credit, the foreign currency must be converted to U.S. dollars using the prevailing exchange rate that most nearly reflects the value of the currency at the time the taxes were actually paid to the foreign country. *If you filed separately in the foreign country, but are filing jointly in Virginia, enter only the Virginia taxable income attributable to the filer whose income was taxed by the foreign country.* For the purposes of this credit, United States territories are considered foreign countries. Any foreign country that does not qualify for the federal tax credit (under IRC § 901(j)) does not qualify for this Virginia credit. To claim this credit, complete Schedule CR and enclose a copy of the return filed in the foreign country or other proof of tax payment to the foreign country.

## Historic Rehabilitation Tax Credit

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Individuals, estates, partnerships, trusts or corporations incurring eligible expenses in the rehabilitation of a certified historic structure are entitled to claim a credit against individual income tax, fiduciary income tax, corporation income tax, the bank franchise tax, and taxes imposed against insurance companies and utility companies. The credit is equal to 25% of eligible rehabilitation expenses. To qualify for this credit, the cost of the rehabilitation must equal at least 50% (25% if the building is an owner-occupied residence) of the assessed value of the building for local real estate tax purposes in the year preceding the start of the rehabilitation. For taxable years beginning on and after January 1, 2017, but before January 1, 2025, the amount of the Historic Rehabilitation Tax Credit that may be claimed by each taxpayer, including carryover amounts, may not exceed \$5 million for any taxable year. For taxable years beginning on and after January 1, 2025, the amount of the credit that may be claimed by each taxpayer, including amounts carried over from prior taxable years, may not exceed \$7.5 million in any taxable year. The rehabilitation work must be certified by the Virginia Department of Historic Resources as consistent with the Secretary of the Interior's Standards for Rehabilitation. The request for certification of the completed project must be submitted within 1 year of the completed work. Any unused credit may be carried forward for 10 years. Applications for participation in the program may be obtained by contacting the **Virginia Department of Historic Resources, 2801 Kensington Avenue, Richmond, VA 23221, 804.482.6097**, or visiting <https://www.dhr.virginia.gov/programs/tax-credits/>.

## Qualified Equity and Subordinated Debt Investments Tax Credit

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For taxable years beginning on or after January 1, 1999, but before January 1, 2026, taxpayers making a "qualified investment" in the form of equity or subordinated debt

in a "qualified business" may be eligible for this credit. Businesses may apply for designation as a qualified business using **Form QBA**. The qualification is **valid** only for the calendar year of the application. Therefore, the business needs to reapply each year for qualification. To qualify, the business must meet the following criteria: (1) have annual gross revenues of no more than \$3 million in its most recent fiscal year, (2) have its principal office or facility in the Commonwealth, (3) be engaged in business primarily in or having substantially all of its production in the Commonwealth and (4) have not obtained during its existence more than \$3 million in aggregate gross cash proceeds from the issuance of its equity or debt investments (not including commercial loans from chartered banking or savings and loan institutions).

Taxpayers may claim a credit equal to 50% of the qualified business investments made during the taxable year. The total amount of credit approved may not exceed \$5 million. One half of this amount must be allocated to commercialization investments and the other half is available for all other qualifying investments. If credit applications for either half exceed the allowed amount, the credits for that half will be prorated. However, if credit applications for either half are less than the allowed amount, the balance will be available for allocation to the other type of credit. The total amount of credit that may be used per taxpayer per taxable year may not exceed \$50,000. This credit is nonrefundable; however, any unused tax credits may be carried forward for the next 15 years. Equity and debt investments held in connection with a qualified business investment must be held by the investor for at least 3 full calendar years following the calendar year for which the credit is allocated, except in certain instances. If the holding period is not met, the unused credit amount will be forfeited, and an assessment will be issued for the amount used to which shall be added interest, computed at the rate of 1% per month, compounded monthly from the date the tax credits were claimed.

Taxpayers cannot receive a grant from the Small Business Investment Grant Fund and claim the Qualified Equity and Subordinated Debt Investments Tax Credit for the same investment. Taxpayers cannot claim the credit if using the subtraction for long-term capital gains, investments in a Virginia venture capital account, or investments in a Virginia real estate investment trust for the same investment.

This credit requires **pre-approval** by the **Department of Taxation**. Investors must apply to the Department by April 1 of the year following the year the investment was made using **Form EDC**. **Taxpayers filing Form EDC after April 1 will be denied this credit.** All approved investors filing a timely **Form EDC** will be notified of the allowable credit by June 30. Since the tax return of most individuals is due May 1, most investors will need to file a return on extension or amend their original return to claim the credit.

Pass-through entities must file **Form TCA** with the Department of Taxation within 30 days of certification, but at least 90 days before filing their income tax return. A copy of the certification letter from the Department is a required enclosure with **Form TCA**.

Visit the Department's website at [www.tax.virginia.gov](http://www.tax.virginia.gov) to obtain **Form QBA**, **Form EDC**, and **Form TCA**. Information on the application process is also available from the **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715**, or call **804.786.2992**.

### **Waste Motor Oil Burning Equipment Tax Credit**

A business that operates a business facility in Virginia that accepts waste motor oil from the public is allowed a tax credit equal to 50% of the purchase price paid for equipment during the taxable year, provided that the equipment is used exclusively for burning waste motor oil at the business facility. The total credit allowed per taxpayer per taxable year is limited to \$5,000. Taxpayers successfully applying for equipment certification with the Department of Environmental Quality by filing Form DEQ 50-12 will receive a statement from that agency certifying that the equipment is used for burning waste motor oil. To claim the tax credit, enclose a copy of Form DEQ 50-12 with the certification statement and receipts, invoices or other documentation to confirm the purchase price paid. For additional information concerning equipment qualifying for this credit or to apply for tax credit equipment certification, contact: **Virginia Department of Environmental Quality, Attention: Equipment Certification Officer, P.O. Box 1105, Richmond, VA 23218**, or call **804.971.2132**.

### **Biodiesel and Green Diesel Fuels Tax Credit**

Beginning on January 1, 2008, a credit is available for Virginia biodiesel and green diesel fuel producers who produce up to 2 million gallons of fuel per year. This credit is only available during the first 3 years of production.

**Form BFC** is used to apply to the Virginia Department of Taxation for a Biodiesel and Green Diesel Fuels Tax Credit after the Virginia Department of Energy has certified that you have satisfied all the requirements of Va. Code § 58.1-439.12:02.

The amount of the credit is \$0.01 per gallon, not to exceed \$5,000 annually. Any credit not used for the taxable year may be carried over to the next 3 taxable years. The amount of the credit allowed cannot exceed the tax liability for the tax year the credit is being claimed.

The amount of the credit attributable to a partnership, electing small business corporation (S corporation), or limited liability company must be allocated to the individual partners, shareholders, or members in proportion to their ownership or interest within the business entity by submitting **Form TCA** within 30 days of certification, but at least 90 days prior to filing their income tax return.

The credit may be transferred to another taxpayer. The transfer of the credit must be completed before the end of a tax year in order to use the credit for that tax year. Enclose the letter of certification from the Virginia Department of Taxation authorizing the credit with your return. For more information, contact: **Virginia Department of Taxation,**

**Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715**, or call **804.786.2992**.

### **Livable Home Tax Credit**

For taxable years beginning on and after January 1, 2023, individuals or licensed contractors may be eligible for an income tax credit of up to \$6,500 for the purchase or construction of a new accessible residence or up to 50% of the cost of retrofitting activities on an existing residence, not to exceed \$6,500. Any tax credit that exceeds the eligible individual's or licensed contractor's tax liability may be carried forward for up to 7 years.

For fiscal years beginning on and after July 1, 2023, the total amount of tax credits granted for any fiscal year cannot exceed \$2 million.

For fiscal years beginning on and after July 1, 2023, The Department of Housing and Community Development (DHCD) will allocate \$1,000,000 in tax credits for the purchase or construction of new residences and \$1,000,000 in tax credits for the retrofitting or renovation of existing residences or residential structures or units. If the total amount of tax credits issued under this program exceeds the fiscal year cap, Virginia Department of Housing and Community Development (DHCD) will prorate the amount of credits among the eligible applicants. Individuals or licensed contractors must obtain pre-approval before claiming the credit on their income tax returns. Applications are to be filed with The Department of Housing and Community Development (DHCD) by January 31 of the year following the year in which the purchase/construction or retrofitting was completed. Documentation must be submitted with the application. For more information, contact: **Virginia Department of Housing and Community Development, Homeless and Special Needs Housing, Main Street Centre, 600 East Main Street, Suite 300, Richmond, VA 23219**, call **804.773.0405**, or email [hsnh@dhcd.virginia.gov](mailto:hsnh@dhcd.virginia.gov).

### **Riparian Waterway Buffer Tax Credit**

Individuals and corporations may qualify for an income tax credit of 25% of the value of the timber on land designated as a riparian buffer for a waterway. The credit may not exceed \$17,500 or the total amount of tax, whichever is less. To apply for this credit, file Department of Forestry (DOF) Form 18.8 with DOF or apply online at [www.dof.virginia.gov](http://www.dof.virginia.gov).

A riparian buffer is a wooded area of land adjacent to a waterway on which timber may be harvested. In order to receive the credit, the owner of the land must refrain from harvesting more than 50% of the timber from tracts designated as riparian buffers. The buffer must be at least 35 feet wide and no more than 300 feet. There must also be a Forest Stewardship Plan and annual certification of compliance for each tract. The buffer must remain in place for at least 15 years. The land that is the subject of this credit cannot be the subject of this credit again for 15 years after it was first taken. The credit may be carried over for

the succeeding 5 taxable years. For more information, contact: **Virginia Department of Forestry, 900 Natural Resources Dr., Suite 800, Charlottesville, VA 22903**, or call **434.977.6555**.

### Land Preservation Tax Credit

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This tax credit is for taxpayers that convey land or interest in land located in Virginia to a public or private agency eligible to hold such land or interests for conservation or preservation purposes. The conveyance must be in perpetuity.

Credits for conveyances made in 2007 and thereafter are equal to 40% of the land's fair market value. All fair market valuations must be substantiated by a "qualified appraisal" and prepared by a "qualified appraiser," as those terms are defined under applicable federal law and regulations governing charitable contributions. For taxable years beginning on and after January 1, 2024, the credit claim is limited to \$20,000 per taxpayer per taxable year. If you are looking for claim limit information for an earlier tax year, see the instructions for that year. Any unused credit not affected by the usage limits will retain the original carryforward periods (10 years for donations originating on or after January 1, 2007).

Any taxpayer holding a Land Preservation Tax Credit that originated on or after January 1, 2002, may transfer unused but otherwise allowable credit for use by another taxpayer on Virginia income tax returns. Transfers and pass-through allocations derived from donations recorded on or after January 1, 2007, are generally subject to a 2 percent transfer fee. See Schedule A of Form LPC-1 or Form LPC-2 for further information.

A subtraction is allowed for any gain or income recognized by a taxpayer on the application of a Land Preservation Tax Credit against a Virginia income tax liability, to the extent the gain is included in and not otherwise subtracted from federal adjusted gross income. The transfer of the credit and its application against a tax liability shall not create gain or loss for the transferor or the transferee.

Before claiming the credit, complete and file **Form LPC-1** and/or **Form LPC-2** with the Department of Taxation at least 90 days before filing your income tax return. For land or an interest in land conveyed before January 1, 2020, no credit will be allowed unless a completed credit application with regard to such conveyance has been filed with the Department of Taxation by December 31 of the 3rd year following the calendar year of the conveyance. For a conveyance made on or after January 1, 2020, no credit will be allowed unless a completed credit application with regard to such conveyance has been filed with the Department by December 31 of the 2nd year following the calendar year of the conveyance. Additionally, applicants filing for tax credits of \$1 million or more must apply to the Department of Conservation and Recreation to receive verification of the conservation value. For conveyances made on and after January 1, 2017, if verification of conservation value is being performed by DCR and verification takes more

than 90 days, the deadline to submit Form LPC-1 may be extended for any number of days during which verification is pending, provided the application was otherwise complete at the time of the original filing deadline. The Department of Taxation will issue a letter acknowledging the amount of the credit. For assistance, contact the **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715**, or call **804.786.2992**.

### Communities of Opportunity Tax Credit

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For taxable years beginning on or after January 1, 2010, but before January 1, 2026, the Communities of Opportunity Tax Credit may be claimed by landlords who participate in the Housing Choice Voucher program and rent qualified housing units.

Effective January 1, 2022, the credit has been expanded by permitting landlords with qualified housing units located in all census tracts in Virginia with poverty rates of less than 10% to qualify for the credit. This tax credit is intended to decentralize poverty by enhancing low-income Virginians' access to affordable housing units in higher income areas.

Eligible properties include one or more units where the landlord has in place a Housing Choice Voucher Housing Assistance Payments (HAP) contract(s) for all or part of a tax year. Units must have in place executed Housing Choice Voucher Housing Assistance Payments (HAP) contract(s) with the public housing authority (PHA) or PHA contractor for the tax year. All units must be determined to be rent reasonable and pass PHA or contractor Housing Quality Standards within a year of the applicable tax year.

The amount of tax credit for an eligible property is equal to 10% of the annual fair market rent for that specific unit and prorated when units are qualified for less than the full tax year. Prorations are based on full calendar months. A landlord may receive tax credits on 1 or more units within the same taxable year. Credits taken for any tax year cannot exceed the tax liability for that year. Credits not taken for the year for which they are allocated may be carried forward, but cannot be carried forward for more than 5 years.

Effective January 1, 2024, the credit has been expanded again to include Eligible non-metropolitan census tracts in Virginia that (i) are not in the Richmond Metropolitan Statistical Area, the Washington–Arlington–Alexandria Metropolitan Statistical Area, or the Virginia Beach–Norfolk–Newport News Metropolitan Area and (ii) in which less than 40 percent of the residents live below the poverty level, as defined by the United States government and determined by the most recent United States census.

A participating landlord renting a qualified housing unit in an eligible non-metropolitan census tract is eligible for a credit against the tax levied pursuant to § 58.1-320 or 58.1-400 in an amount equal to 10 percent of the fair market value of the rent for the unit, computed for that portion of the taxable year in which the unit was rented by such landlord to a tenant participating in a housing choice voucher program.



For fiscal years beginning before July 1, 2024, the maximum amount of tax credits that may be issued under this section in each fiscal year shall be \$250,000. For fiscal years beginning on and after July 1, 2024, (i) the maximum amount of tax credits that may be issued for a qualified housing unit in an eligible census tract shall be \$400,000 in each fiscal year and (ii) the maximum amount of tax credits that may be issued for a qualified housing unit in an eligible non-metropolitan census tract shall be \$100,000 in each fiscal year.

Should eligible applications received by the January 31 deadline exceed the annual appropriation, tax credits will be prorated based on the total amount of qualified requests received and the total amount of credits available.

Credits granted to a partnership, limited liability company, or electing small business corporation (S corporation) shall be allocated to the individual partners, members, or shareholders in proportion to their ownership or interest in such business entity. The landlord must assume responsibility for distributing credits in this manner.

For additional information, please contact: **Virginia Department of Housing and Community Development, Main Street Centre, 600 East Main Street, Suite 300, Richmond VA 23219**, or call **804.371.7000**.

### **Green and Alternative Energy Job Creation Tax Credit**

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The Green and Alternative Energy Job Creation Tax Credit expired January 1, 2025. For taxable years beginning on and after January 1, 2025, taxpayers will no longer be able to earn the credit. Credits earned in prior taxable years can be carried forward for 5 taxable years or until the total amount of the tax credit has been taken, whichever is sooner.

### **Farm Wineries and Vineyards Tax Credit**

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For taxable years beginning on and after January 1, 2011, an individual and corporate income tax credit is available for Virginia farm wineries and vineyards in an amount equal to 25% of the cost of all qualified capital expenditures made in connection with the establishment of new Virginia farm wineries and vineyards and capital improvements made to existing Virginia farm wineries and vineyards.

The total amount of tax credits available for a calendar year cannot exceed \$250,000. If applications for this credit exceed \$250,000, the Department of Taxation will allocate the credits on a pro rata basis. Any credit amounts that exceed a taxpayer's liability can be carried forward for 10 years.

Taxpayers cannot claim both this credit and a federal deduction for the same expenses under IRC § 179.

The business must apply by April 1st using **Form FWV**. Submitting a late application will disqualify you from the credit. All applications must be sent to the **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715**. This credit requires certification from the Tax

Credit Unit to be claimed on your tax return. A letter will be sent to certify the credit.

For assistance, contact the **Department of Taxation, Tax Credit Unit, P. O. Box 715, Richmond, VA 23218-0715**, or call **804.786.2992**.

### **International Trade Facility Tax Credit**

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The International Trade Facility Tax Credit expired January 1, 2025. For taxable years beginning on and after January 1, 2025, taxpayers will no longer be able to earn the credit. Credits earned in prior taxable years can be carried forward for 10 taxable years or until the total amount of the tax credit has been taken, whichever is sooner.

This credit is subject to recapture if the number of qualified full-time employees in any of the 5 years succeeding the credit year decreases below the average number of qualified full-time employees employed during the credit year. See Form ITF for more information.

### **Port Volume Increase Tax Credit**

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The Port Volume Increase Tax Credit expired January 1, 2025. For taxable years beginning on and after January 1, 2025, taxpayers will no longer be able to earn the credit. Credits earned in prior taxable years can be carried forward for 5 taxable years or until the total amount of the tax credit has been taken, whichever is sooner.

### **Barge and Rail Usage Tax Credit**

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The Barge and Rail Usage Tax Credit expired January 1, 2025. For taxable years beginning on and after January 1, 2025, taxpayers will no longer be able to earn the credit. Credits earned in prior taxable years can be carried forward for 5 taxable years or until the total amount of the tax credit has been taken, whichever is sooner.

### **Education Improvement Scholarships Tax Credit**

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For taxable years beginning on or after January 1, 2014, but before January 1, 2028, an income tax credit may be claimed for monetary or marketable securities donations made to scholarship foundations included on an approved list published by the Virginia Department of Education. Credits may be earned in taxable years beginning on or after January 1, 2013, but before January 1, 2028. Tax credits earned during the taxable year must be claimed beginning with the taxable year during which they were earned. The credit is equal to 65% of the monetary or marketable securities donation made to the scholarship foundation. The credit can be claimed against the individual income tax, corporate income tax, bank franchise tax, insurance premiums license tax, or tax on public service corporations. For individuals, the minimum value of any monetary or marketable securities donation eligible for a tax credit is \$500 in a taxable year, and the maximum value of monetary or marketable securities donations eligible for tax credits is the first \$125,000 in value of donations made in a taxable



year. Such limitations on the minimum and maximum values of donations eligible for tax credits in a taxable year do not apply to donations made by any business entity, including a sole proprietorship.

Tax credits will be awarded to taxpayers on a first-come, first-served basis in accordance with procedures established by the Virginia Department of Education. The total amount of credits available in any fiscal year is capped at \$25 million. Any unused tax credits may be carried over for the next 5 succeeding taxable years or until the total amount of credit has been taken, whichever is sooner. For additional information on how to qualify for certification, contact **the Virginia Department of Education, 23rd Floor, P.O. Box 2120, Richmond, VA 23218-2120, Attn: Scholarships Tax Credits Program** or email [tax.credits@doe.virginia.gov](mailto:tax.credits@doe.virginia.gov).

### Major Research and Development Expenses Tax Credit

The Major Research and Development Tax Credit expired January 1, 2025. For taxable years beginning on and after January 1, 2025, taxpayers will no longer be able to earn the credit. Credits earned in prior taxable years can be carried forward for 10 taxable years or until the total amount of the tax credit has been taken, whichever is sooner.

### Food Donation Tax Credit

For taxable years beginning on or after January 1, 2023, but before January 1, 2028, any person engaged in the business of farming as defined under 26 C.F.R. § 1.175-3 that donates food crops or wholesome food produced in the Commonwealth to a nonprofit food bank may claim a credit against the tax levied against the individual or corporate income taxes for the taxable year of the donation.

“Wholesome food” means food that meets all quality standards imposed by federal, state, and local laws or regulations, including food that may not be readily marketable due to appearance, age, freshness, grade, surplus, or other condition.

The amount of the credit is equal to 50% of the fair market value of the crops or wholesome foods donated during the taxable year, but not to exceed \$10,000 in credits. No taxpayer is permitted to claim more than \$10,000 in credits for a taxable year. Any unused credit amount can be carried forward for 5 years.

The credit is only allowed if (i) the use of the donated food crops or wholesome foods by the donee nonprofit food bank is related to providing food to the needy, (ii) the donated food crops or wholesome foods are not transferred for use outside the Commonwealth or used by the donee nonprofit food bank as consideration for services performed or personal property purchased, and (iii) the donated food crops or wholesome foods, if sold by the donee nonprofit food bank, are sold to the needy, other nonprofit food banks, or organizations that intend to use the food crops or wholesome foods to provide food to the needy.

No more than \$250,000 in tax credits can be issued in any fiscal year.

The nonprofit food bank must supply a completed Virginia Food Donation Certification (Form FCD-2) to the donor. The FCD-2 must be prepared and furnished by the nonprofit food bank to the donor within 30 days of the date of the donation.

This credit requires certification from the Tax Credit Unit to be claimed on your tax return. A letter will be sent to certify the credit.

The business must apply for the credit by February 1 using **Form FCD-1**. Submitting a late application will disqualify you from the credit. All applications must be sent to the **Virginia Department of Taxation, Tax Credit Unit, P. O. Box 715, Richmond, VA 23218-0715**.

### Worker Training Tax Credit

For taxable years beginning on and after January 1, 2019, but before July 1, 2025, businesses may claim the Worker Training Tax Credit for the training costs of providing eligible worker training to qualified employees. The credit is 35% of expenses incurred by the business during the taxable year for eligible worker training, subject to certain limitations. If the recipient of the training is a qualified employee, the credit may not exceed \$500 per qualified employee annually. If the recipient of the training is a non-highly compensated worker, the credit may not exceed \$1,000 per non-highly compensated worker annually.

“Eligible worker training” means the training of a qualified employee or non-highly compensated worker in the form of:

- credit or noncredit courses at any institution recognized on the Eligible Training Provider List or at any Virginia public institution of higher education, as such term is defined in *Va. Code* § 23.1-100, or as described in *Va. Code* §§ 23.1-3111, 23.1-3115, 23.1-3120, and 23.1-3125, that results in the qualified employee or non-highly compensated worker receiving a workforce credential; or
- instruction or training that is part of an apprenticeship agreement approved by the Commissioner of Labor and Industry.

For more information regarding the Eligible Training Provider List see the Virginia Workforce Connection website at [www.vawc.virginia.gov](http://www.vawc.virginia.gov).

Before claiming the credit on their income tax return, employers and businesses must apply for certification of the amount of allowable credit using **Form WTC**, Worker Training Tax Credit Application, by April 1 of the year following the year in which the training expenses were paid or incurred. All approved employers and businesses filing a timely **Form WTC** will be notified of their allowable credit by June 30 of the calendar year following the year in which the expenses were incurred. The maximum Worker Training Credits granted to all employers and businesses is limited to \$1 million annually. If the total credits approved exceed this amount, each will be prorated. This credit is nonrefundable

but excess credit may be carried over for up to the next 3 taxable years. To claim this credit, complete Section 1, Part 30 of Schedule CR. For information on pre-approved apprenticeship programs contact the **Virginia Department of Workforce Development and Advancement** at **804.221.5776**.

### **Virginia Housing Opportunity Tax Credit**

Effective for taxable years beginning on and after January 1, 2021, but before January 1, 2031, a housing opportunity tax credit (HOTC) is available for certain low-income building projects in an amount up to the amount of federal low-income housing tax credit (LIHTC) allocated or allowed by the Virginia Housing Development Authority (VHDA). To be qualified, the project is required to be a qualified low-income building, as defined under federal law, that is:

- Located in Virginia;
- Placed in service on or after January 1, 2021; and
- Allocated HOTC by VHDA

For taxable years beginning on and after January 1, 2021, but before January 1, 2031, a qualified taxpayer may claim a HOTC against Virginia tax liability prior to reduction by any other credits allowed the taxpayer.

The credit is allowed against the individual income tax, estate and trust income tax, corporate income tax, bank franchise tax, insurance premiums license tax, and license tax on telegraph, telephone, water, heat, light, power, and pipeline companies.

The HOTC may be allocated by pass-through entities to some or all of its partners, members, or shareholders in any manner agreed to regardless of whether or not the taxpayer is allocated or allowed any portion of any federal low-income housing tax credit with respect to the qualified project, whether or not the allocation of the HOTC under the terms of the agreement has substantial economic effect within the meaning of § 704(b) of the Internal Revenue Code, and whether or not the taxpayer is deemed a partner for federal income tax purposes, as long as the partner or member meets the definition under applicable state law, and has been admitted as a partner or member on or prior to the date for filing the return, including any amendments, with respect to the year of the HOTC. Pass-through entities or qualified taxpayers may assign all or any part of the interest, including interest in the tax credits, to one or more pass-through entities or qualified taxpayers, and the qualified taxpayer shall be able to claim the HOTC as long as the interest is acquired prior to the filing of the tax return claiming the HOTC.

For calendar years 2022 through 2025, the total amount of housing opportunity tax credits authorized for qualified projects shall not exceed \$60 million per calendar year. Credits issued each calendar year shall be allowed ratably, with one-tenth of the total amount of credits allowed annually for 10 years over the credit period, except that there shall be a reduction in the tax credit allowable in the first year of the credit period due to a federal law calculation, and any

reduction in the credit in the first taxable year of the credit period shall be allowable for the first taxable year following the credit period.

Twenty million of credits shall be first allocated exclusively for qualified projects in a locality with a population no greater than 35,000 as determined by the most recent United States census. Allocation of Virginia HOTC shall constitute the minimum amount of tax credits allocated for qualified projects in these localities. However, if the amount of the tax credits requested for qualified projects in these localities is less than the total amount of credits available, the balance of credits shall be allocated for any qualified project, regardless of location.

For more information, contact **Virginia Housing Development Authority, 601 S. Belvidere Street, Richmond, VA 23220**, call Stephanie Flanders at **804.343.5939**, or visit **[www.virginiahousing.com](http://www.virginiahousing.com)**.

### **Hardwood Initiative Tax Credit**

The Hardwood Initiative Tax Credit expired January 1, 2025. For taxable years beginning on and after January 1, 2025, taxpayers will no longer be able to earn the credit. Credits earned in prior taxable years can be carried forward for 5 taxable years or until the total amount of the tax credit has been taken, whichever is sooner.

### **Firearm Safety Device Tax Credit**

For taxable years beginning on and after January 1, 2023, but before January 1, 2028, a nonrefundable individual income tax credit is available for up to \$300 for the cost incurred for the purchase of one or more firearm safety device(s). Only one credit is allowed per taxable year.

A "firearm safety device" any device that, when installed on a firearm, is designed to prevent the firearm from being operated without first deactivating the device, such as trigger locks, chamber locks and cable locks, etc., or (ii) a safe, gun safe, gun case, lock box, or other device that is designed to be or can be used to store a firearm and that is designed to be unlocked only by means of a key, a combination, or other similar means. Eligible transactions include purchases of a device(s) from a commercial retailer and does not include firearms purchases.

The amount of credit claimed in any single taxable year cannot exceed the individual's liability for that taxable year. Any amount exceeding the taxpayer's liability in the taxable year in which the transaction occurred may be carried over for credit against liability in the next 5 taxable years or until the total amount of the tax credit has been taken, whichever is sooner.

The aggregate amount of allowable credits cannot exceed \$5 million per taxable year. Credits will be allocated by the Department on a first-come, first-served basis.

Taxpayers must apply for certification using **Form FSD**. Submit the form online to ensure your application is received as soon as possible. File Form FSD electronically using the

Department's website at [www.tax.virginia.gov](http://www.tax.virginia.gov). You may also submit your application via fax to **804.254.6113**. If you prefer to mail Form FSD, send it to **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 1217, Richmond, VA 23218-1217**.

**Note:** The Firearm Safety Device Tax Credit is granted based on the order in which the application forms are received by the Department. Submit Form FSD electronically to ensure your completed application is received as soon as possible.

For assistance, contact the **Department of Taxation, Tax Credit Unit, P. O. Box 715, Richmond, VA 23218-0715** or call **804.786.2992**.

### **Motion Picture Production Tax Credit**

Qualifying motion picture production companies are eligible to receive a series of refundable individual and corporate income tax credits for taxable years beginning on and after January 1, 2011, but prior to January 1, 2027.

**Base-Income Tax Credit:** Any production company with qualifying expenses of at least \$250,000 with respect to a motion picture production filmed in Virginia is eligible for the base credit. The base credit is equal to 15 percent of a production company's qualifying expenses, or 20 percent of such expenses if the motion picture production is filmed in an economically distressed area of Virginia as designated by the Virginia Economic Development Partnership Authority.

**Additional Virginia Resident Credit:** The production company is allowed an additional credit of 10 to 20% of the total aggregate payroll for Virginia residents employed in connection with the motion picture production. For companies that spend at least \$250,000 in total production costs in the Commonwealth, but not more than \$1 million, the credit will equal 10% of the total Virginia resident aggregate payroll. For companies that spend over \$1 million in total production costs in the Commonwealth, the credit will equal 20% of the total aggregate Virginia resident payroll.

**Additional Virginia Resident First-Time Industry Employee Credit:** In addition to the above outlined credits, companies may claim a credit of 10% of their total aggregate payroll for Virginia residents who are employed as first time actors or first time members of a production crew in connection with a production in Virginia.

The aggregate amount of all motion picture credits to be issued is capped at \$6.5 million per fiscal year. To qualify for this credit, production companies must submit an initial application to the Virginia Film Office within the Virginia Tourism Authority at least 30 days prior to production and must enter into a Memorandum of Understanding. After production is complete, the production company must submit documentation to the Virginia Film Office within the Virginia Tourism Authority and will be issued a certification letter. A taxpayer may only claim this credit after receiving the certification letter from the Virginia Film Office within the Virginia Tourism Authority.

For more information, contact: **Virginia Film Office within the Virginia Tourism Authority, 901 E. Cary St. Suite 900, Richmond, VA 23219**, or call **804.545.5530**.

Credits available through the Virginia Motion Picture Production Tax Credit are offered in addition to other Virginia production incentives. For additional information regarding all available funding assistance for Virginia productions, please refer to the **Virginia Film Office's** website, [www.filmvirginia.org](http://www.filmvirginia.org), or to the **Virginia Tourism Authority's** website, [www.vatc.org](http://www.vatc.org).

### **Agricultural Best Management Practices (BMP) Tax Credit**

This refundable credit is available to individual and corporate taxpayers engaged in agricultural production for market who have in place a soil conservation plan approved by the local Soil and Water Conservation District (SWCD). The credit is 25% of the first \$100,000 expended for agricultural best management practices approved by the local SWCD.

Effective for taxable years on and after January 1, 2021, but before January 1, 2030, any individual or corporate taxpayer that is engaged in agricultural production for market, or that has equines that create needs for agricultural best management practices to reduce nonpoint source pollutants, and has in place a resource management plan approved by the local SWCD, shall be allowed a refundable credit against individual or corporate income tax. The credit amount is 50% of the first \$100,000 expended for agricultural best management practices implemented by the corporation on the acreage included in the resource management plan. If a taxpayer has an approved resource management plan and receives a cost-share payment, the taxpayer is only eligible to claim 25% of the first \$100,000 expended for the agricultural best management practice.

The maximum aggregate credit per taxpayer per taxable year is \$75,000. The maximum annual amount of tax credits that may be issued for each fiscal year is \$2 million.

Any taxpayer claiming the Agricultural Best Management Practices Tax Credit may not claim any other Virginia tax credit for costs related to the same practices. The credit must be allocated to individual partners and shareholders in proportion to their ownership or interest in the partnership or S corporation.

Applying for the credit is a two-step process. Taxpayers must receive certification from their local Soil and Water Conservation District (SWCD) prior to applying with the Department of Taxation. After receiving certification from the SWCD, taxpayers must file Form ABM with the Department of Taxation. See the Form ABM Instructions for more information. Form ABM must be sent to the **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715**. A letter will be sent to certify the credit. For assistance, contact the **Tax Credit Unit at 804.786.2992**.

For more information about eligible BMPs, contact your local **Virginia Soil and Water Conservation District Office**.



## **Conservation Tillage and Precision Agriculture Equipment Tax Credit**

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For taxable years beginning on and after January 1, 2021, but before January 1, 2030, a refundable credit is available for corporate and individual taxpayers that are engaged in agricultural production for market and have in place a soil conservation plan approved by the local soil and water conservation district and are implementing a nutrient management plan developed by a certified nutrient management planner that purchase certain types of conservation tillage and precision agricultural application equipment. The credit equals 25% of all expenditures made by the taxpayer for the purchase of equipment certified by the Virginia Soil and Water Conservation Board as reducing soil compaction such as a “no-till” planter, drill, or other equipment, or equipment that provides more precise pesticide and fertilizer application or injection. For purposes of this credit, equipment that reduces soil compaction includes equipment using guidance systems to control traffic patterns that are designed to minimize the disturbance of soil in planting crops, including planters, drills, or other equipment that may be attached to equipment already owned by the taxpayer. The credit amount cannot exceed \$17,500 in the year of purchase.

Taxpayers must apply for the credit by completing **Form AEC**. All applications must be sent to the **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715**. This credit requires certification from the Tax Credit Unit to be claimed on your tax return. A letter will be sent to certify the credit. For assistance contact the Tax Credit Unit at **804.786.2992**.

For more information about eligible equipment, contact your local **Virginia Soil and Water Conservation District Office**.

## **Pass-Through Entity Elective Tax (PTET) Payment Tax Credit**

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For taxable years beginning on and after January 1, 2021, but before January 1, 2027, a qualifying pass-through entity (PTE) may make an annual election to pay a 5.75% tax at the entity level for the taxable year. Additional legislation enacted in 2023 expanded pass-through entity elective tax (PTET) eligibility by removing the requirement that a PTE must be 100% owned by natural persons or persons eligible to be shareholders of an S corporation in order to make the PTET election for Taxable Years 2021-2026.

A corresponding refundable income tax credit is available for Taxable Years 2021 through 2026 for any amount of income tax paid by a qualifying PTE if the PTE makes the election and pays the elective income tax imposed at the entity level. The effect of the elective income tax and corresponding refundable credit is to allow the qualifying PTE to shift the income tax burden from the PTE owners to the PTE itself. The PTE must report the amount of PTET on the Form 502 Schedule VK-1 and the owners may claim their share of PTET credit on Schedule CR. Enclose Form 502 Schedule VK-1 with your return. For assistance, contact the **Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715**, or call **804.786.2992**.



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