# DRAFT FORM — NOT FOR FILING

This draft form has been updated to include the most recent changes effective for Tax Year 2026 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** for future drafts of this form.  Once forms are final, we will post them on our website at **tax.virginia.gov/forms**.

# Instructions for 2026 Schedule 500CR
# Credit Computation Schedule for Corporations

## Table of Contents



** Credits marked with an asterisk require supporting documentation that must be submitted with the tax return.*



## General Information

Complete Schedule 500CR if you are claiming one or more of the credits listed in the Table of Contents above. Credits marked with an asterisk (*) require supporting documentation with the return in order to claim the credit. When claiming a credit that requires documentation, you will need to attach a PDF of the documentation when filing electronically. If you are filing by paper and claiming a credit that requires documentation, the information must be enclosed with the return. Missing enclosures may cause delays in processing the return and may cause a credit to be disallowed.

Many Virginia tax credits may not be claimed on your return until after you have submitted an application and have been notified in writing that you are allowed to claim the credit. If your return is due and you have not yet been notified, you have the option to either:

- Pay at least 90% of your tax liability by the return due date and file your return on extension after receiving notification, or
- File your return by the due date without claiming the credit, and file an amended return after you have received notification.

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:

- Nonrefundable credits without a carryover provision are claimed first.
- Carryover credits must be fully used before any 2026 credits (current year credits) are allowed.
- To maximize allowable credit, carryover credits may be claimed in their order of expiration, regardless of the order shown on Schedule 500CR.

**Information for PTE Owners – Form TCA**

Form TCA, Virginia Pass-Through Credit Allocation, must be filed with the Tax Credit Unit to allocate certain tax credits to owners before they can be claimed by the owners on their Virginia income tax returns. See Form TCA for a list of those credit types. Form TCA must be filed with the Tax Credit Unit by the pass-through entity within 30 days of certification of the credit but at least 90 days prior to the participants filing their income tax returns. See Form TCA for more information about allocating credits to participants.

## Neighborhood Assistance Act Tax Credit

The Virginia Neighborhood Assistance Tax Act provides tax credits to businesses that donate money, marketable securities, property, limited professional services, and contracting services 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. Licensed veterinarians, physicians, dentists, nurses, nurse practitioners, physician assistants, optometrists, dental hygienists, professional counselors, clinical social workers, clinical psychologists, marriage and family therapists, physical therapists, chiropractors, pharmacists, and physician specialists or mediators who donate their services for an approved organization may be eligible for tax credits. In addition, a trust or a fiduciary for a trust, may receive a tax credit for a donation made to an approved organization. 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, write to: **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.**

## Enterprise Zone Act Tax Credit

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

**Line A:** Credit carried over from prior years:

$_______________ .00

**Line B:** Allowable credit: Enter the amount from Line A or the maximum credit allowed:

$_______________ .00

**Line 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 3A** of the Schedule 500CR.

For additional information, write to: **Virginia Department of Housing and Community Development, Real Estate Office, Main Street Centre, 600 East Main Street, Suite 300, Richmond, VA 23219**, call **(804) 371-7000**, or email **ezone@dhcd.virginia.gov**.

## * 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. Taxpayers may claim a nonrefundable credit against their tax liability for the production of these fuels. To claim the tax credit, enclose a copy of the certificate from the Department.

**Form BFC** is used to apply to the Department for a Biodiesel Fuels Credit after the Virginia Department of Energy has certified that you have satisfied all of 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 taxable year in which 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 taxable year in order to use the credit for that taxable year. Enclose the letter of certification from the Virginia Department of Taxation authorizing the credit with your return. For more information, write to: **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715**, or call **(804) 786-2992**.

## Recyclable Materials Processing Equipment Tax Credit

**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, and

(ii) machinery and equipment used predominantly in or on the premises of facilities that are predominantly engaged in advanced recycling.

“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.

For the purpose 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 such 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.

The total amount of credit approved for any fiscal year may not exceed $2 million. If the amount of tax credits approved under this section by the Department of Taxation for any fiscal 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.

For additional information on how to qualify for certification, contact the **Department of Environmental Quality, Equipment Certification Officer (Land Division), 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**.

## * 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 500CR. 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

The Major Business Facility Job Tax Credit expired July 1, 2025. For taxable years beginning on or after July 1, 2025, taxpayers will no longer be able to earn the credit. Businesses that were approved to receive the first half of their credit in 2025 may still obtain the remaining 50% of the credit for Taxable Year 2026. Additionally, unused 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.

## Historic Rehabilitation Tax Credit

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,** calling **(804) 482-6097**, or visiting **https://www.dhr.virginia.gov/programs/tax-credits/**.

## * Waste Motor Oil Burning Equipment Tax Credit

A business that operates a facility in Virginia which accepts waste motor oil from the public is allowed a tax credit equal to 50% of the purchase price paid for equipment for the taxable year provided that the equipment is used exclusively for burning waste motor oil at the business facility. The total credit allowed to any taxpayer in any taxable year is limited to $5,000. Taxpayers successfully applying for the equipment certification with the Virginia 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 the credit or to apply for tax credit equipment certification, write to: **Virginia Department of Environmental Quality, Attention: Equipment Certification Officer (Land Division), P.O. Box 1105, Richmond, VA 23218**, or call **(804) 971-2132**.

## Riparian Forest Buffer Protection for Waterways Tax Credit

Individuals and corporations may qualify for an income tax credit of 25% of the value of the timber on an area 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**. If you are approved for this credit, DOF will send you a Tax Credit Certificate.

A riparian buffer is land adjacent to a waterway on which timber may be harvested. In order to receive the credit, the owner of such land must refrain from harvesting more than 50% of such timber. The buffer must be at least 35 feet wide and no more than 300 feet. There must be a 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, write to: **Virginia Department of Forestry, 900 Natural Resources Drive, Suite 800, Charlottesville, VA 22903**, or call **(434) 977-6555**.

## Land Preservation Tax Credit

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, please see the instructions for that particular year in question. 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 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 taxable 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**.

## Virginia Coal Employment and Production Incentive Tax Credit

The Virginia Coal Employment and Production Incentive Tax Credit expired effective January 1, 2022. No new credits can be earned after January 1, 2022. Electricity generators that originally earned the credit may carry forward amounts of credit for up to 10 taxable years or until the full amount is used, whichever is sooner. However, a taxpayer claiming carryover credits on a return for taxable years beginning on and after January 1, 2022 may not claim more than $1 million in credits for a single taxable year. No taxpayer may amend a return for a taxable year beginning before January 1, 2022 to claim more credits than the amount included on such return before amending it.

### Communities of Opportunity Tax Credit

The Communities of Opportunity Tax Credit expired January 1, 2026. For taxable years beginning on and after January 1, 2026, 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.

### Green and Alternative Energy Job Creation Tax Credit

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

An individual and corporation 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 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. Any expenses claimed as a federal deduction under IRC § 179 may not be included in the calculation of this credit.

The business must apply for the credit by April 1 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 by June 30. For assistance contact the **Tax Credit Unit** at **(804) 786-2992**.

### International Trade Facility Tax Credit

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

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

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.

### Livable Home Tax Credit

For taxable years beginning on and after January 1, 2023, licensed contractors may be eligible for an income tax credit of up to $6,500 for the purchase/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 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 aggregate cap for the fiscal year, DHCD will prorate the amount of credits among the eligible applicants.

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, write to: **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**.

All pass-through entities distributing this credit to its owner(s), shareholders, partners, or members must give each a Schedule VK-1, Owner's Share of Income and Virginia Modifications and Credits. This credit must be allocated among owners in proportion to each owner's percentage of ownership or participation in the pass-through entity.

## 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.

## Education Improvement Scholarships Tax Credit

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 during 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. Limitations on the 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**.

## 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 grown or wholesome foods produced by the person in the Commonwealth to a nonprofit food bank may claim an individual or corporate income tax credit for the taxable year of the donation. The amount of the credit is equal to 50% of the fair market value of the food crops or wholesome foods donated during the taxable year but not to exceed $10,000 in credits. Any unused credit amount may 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 to provide food to the needy.

No more than $250,000 in tax credits may 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.

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**. 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 by April 1.

## Worker Training Tax Credit

The Worker Training Tax Credit expired July 1, 2025. For taxable years beginning on or after July 1, 2025, taxpayers will no longer be able to earn the credit. Credits earned in prior taxable years can be carried forward for 3 taxable years or until the total amount of the tax credit has been taken, whichever is sooner.

## 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 such projects. 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.

A qualified taxpayer may claim a housing opportunity tax credit against its Virginia tax liability prior to reduction by any other credits allowed the taxpayer. The housing opportunity tax credit may be allocated by pass-through entities to some or all of its partners, members, or shareholders in any manner agreed to by such persons, regardless of whether or not any such person 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 housing opportunity tax credit 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 any such person is deemed a partner for federal income tax purposes as long as the partner or member would be considered a partner or member as defined under applicable state law, and has been admitted as a partner or member on or prior to the date for filing the qualified taxpayer's tax return, including any amendments thereto, with respect to the year of the housing opportunity tax credit. Such pass-through entities or qualified taxpayer may assign all or any part of its interest, including its 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 housing opportunity tax credit so long as its interest is acquired prior to the filing of its tax return claiming the housing opportunity tax credit.

For calendar years 2026 through 2030, the total amount of housing opportunity tax credits authorized for qualified projects under this article shall not exceed $64 million per calendar year. Such 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 the calculation in 26 U.S.C. § 42(f)(2) and any reduction by reason of 26 U.S.C. § 42(f)(2) in the credit allowable for the first taxable year of the credit period shall be allowable for the first taxable year following the credit period.

For calendar years 2026 through 2030, $20 million of such credits shall be first allocated exclusively for qualified projects located in a geographic area within the Balance of State Pool as defined in the Qualified Allocation Plan promulgated by VHDA. Such allocation of Virginia housing opportunity tax credits shall constitute the minimum amount of such tax credits to be allocated for qualified projects in such localities. However, if the amount of such tax credits requested for qualified projects in such localities is less than the total amount of such credits available for qualified projects in such localities, the balance of such credits shall be allocated for any qualified project, regardless of location.

Credits must be allocated by pass-through entities to its partners, shareholders, or members using Form TCA.

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. Any unused credit amount may be carried forward for 5 years from the year in which the credit is allocated to the taxpayer.

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**.

## 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, 2031.

**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 Tourism Authority. For more information, contact: **the Virginia Film Office within the Virginia Tourism Authority, 901 E. Cary Street, 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, refer to the **Virginia Film Office's** website, **www.film.virginia.org**, or to the Virginia Tourism Authority's website, **www.vatc.org**.

## Agricultural Best Management Practices (BMP) Tax Credit

Effective for taxable years on and after January 1, 1998, but before January 1, 2030, this refundable credit is available to corporations engaged in agricultural production for market or that have equines that create needs for agricultural best management practices to reduce nonpoint source pollutants, and 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 corporation 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 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 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

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.**