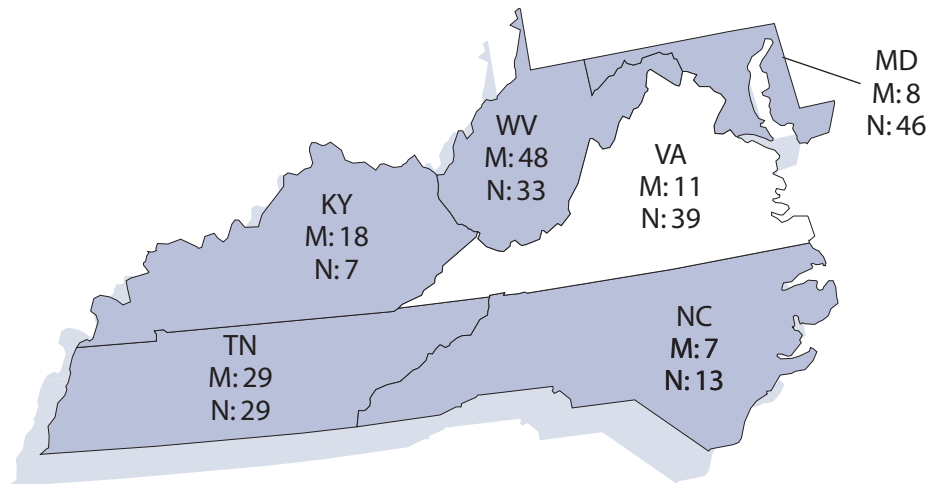


M = Rank for mature firms
N = Rank for new firms



Virginia ranks 11th overall for mature operations and 39th overall for newly established operations. Specifically:

- Virginia ranks seventh for mature retail operations with a total effective tax rate (TETR) of 13.3 percent, 22 percent below the national average. The key factors are the state's low 5.0 percent sales tax and the nation's lowest costs for unemployment insurance (UI) taxes and property taxes for this firm type.
- These same factors help the state rank eighth for mature labor-intensive manufacturing and ninth for mature corporate headquarters.
- By contrast, Virginia ranks 28th for mature R&D operations and 28th for capital-intensive manufacturing operations. Each has total tax costs that are slightly above the national average. In this case, the manufacturing firm faces above-average income tax costs because of the state's apportionment factor (50 percent sales), while the R&D facility faces above-average income tax costs because of the state's sourcing rules for services, which expose 100 percent of the firm's income to state taxes. Moreover, Virginia is one of a minority of states that do not offer an R&D tax credit.
- Virginia ranks 19th for new retail operations with a total tax burden that is 7 percent below the national average. Again, this firm is helped by the state's low sales tax burden and low UI tax burden.
- By contrast, Virginia ranks 49th for new capital-intensive manufacturing, which has a total tax burden 118 percent above the national average. For this type of firm, the state has the second-highest property tax burden in the nation, partly because it is one of a minority of states that do not offer a property tax abatement. Also, the property tax rate on equipment is more than double the national average, whereas the rate on land and buildings is roughly half the national average.
- Virginia is one of only nine states with a gross receipts tax. This is a locally levied tax called the Business/Professional/Occupational License Tax (BPOL).

Virginia

Corporate income tax

Main tax rate	6.000%
Applies to income over	–
Specific adjustments:	
- s.199 deduction allowed	

Apportionment	Property	Payroll	Sales
Standard factors	25.0%	25.0%	50.0%
Optional alternative	n/a	n/a	n/a
Throwback applies to tangible property sales			No
Interstate services income apportionment			IPA

Sales and property tax

Metro areas examined		Sales tax	Property tax			
		Main rate ^a	Land	Buildings	Equipment	Inventory
Tier 1	Richmond	5.000%	1.007%	1.007%	2.767%	–
Tier 2	Roanoke	5.000%	1.090%	1.090%	3.000%	–

a. Manufacturing machinery is exempt from sales tax

Other taxes

Unemployment insurance		State capital tax		Gross receipts tax			Local income tax
Rate	Max. pay			Mfg.	Services	Retail	
2.70%	\$8,000	n/a	Tier 1	–	0.360%	0.200%	n/a
			Tier 2	–	0.360%	0.200%	n/a

Incentives for newly established operations

Type	Incentive value	MC	ML	CC	DC	CO	RD	RT
Investment	n/a							
Job creation	\$1,000 per new job over 2 years	✓	✓	✓	✓	✓		
Withholdings	n/a							
R&D	n/a							
Property tax	n/a							

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store

Results

	Newly established operations								Mature operations									
	Tier 2 operations				Tier 1 operations				AVG	Tier 2 operations				Tier 1 operations				AVG
	MC	ML	CC	DC	CO	RD	RT	MC		ML	CC	DC	CO	RD	RT			
TETR	24.8%	14.2%	26.6%	35.8%	17.1%	20.4%	30.2%		12.9%	7.9%	17.9%	22.6%	12.3%	13.5%	13.3%			
Index	217.5	121.3	106.9	99.1	105.7	138.4	92.7	125.9	101.8	68.1	85.3	73.8	78.4	104.7	78.4	84.4		
Rank	49	44	25	28	28	39	19	39	28	8	15	10	9	28	7	11		

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store