

Virginia

FOR EMPLOYERS

Tax Landscape: Forty-four states levy corporate income taxes.

Does Virginia levy taxes on corporate employers in the state?

Corporate Taxes and Gross Receipts Tax Allowed at Local Level

Does Virginia have an employer tax credit to incentivize the provision of child care for employees?

Yes, see below for more information

Employer Child Care Tax Credit Description

Day-care Facility Investment Tax Credit.

A. For taxable years beginning on and after January 1, 1997, any taxpayer shall be allowed a credit against the taxes imposed by § 58.1-320 or § 58.1-400 in an amount equal to twenty-five percent of all expenditures paid or incurred by such taxpayer in such taxable year for planning, site preparation, construction, renovation, or acquisition of facilities for the purpose of establishing a child day-care facility to be used primarily by the children of such taxpayer's employees, and equipment installed for permanent use within or immediately adjacent to such facility, including kitchen appliances, to the extent that such equipment or appliances are necessary in the use of such facility for purposes of child day-care; however, the amount of credit allowed to any taxpayer under this section shall not exceed \$25,000. If two or more taxpayers share in the cost of establishing the child day-care facility for the children of their employees, each such taxpayer shall be allowed such credit in relation to the respective share paid or incurred by such taxpayer, of the total expenditures for the facility in such taxable year.

B. The credits provided under this section shall be allowed only if (i) the child day-care facility shall be operated under the authority of a license issued by the Commissioner of Social Services pursuant to § 63.2-1701, (ii) an application for a building permit for the facility is made after July 1, 1996, and (iii) the Tax Commissioner approves a taxpayer's application for a credit. Proper applications submitted to the Department for the credit shall be approved in the order received. For each application approved for credit it shall be assumed that the amount of the credit will be \$25,000, and the amount of the credit will be taken in the fiscal year in which the application is approved and the following two fiscal years. Approval of applications shall be limited to those that are assumed to result in no more than \$100,000 of credits in any fiscal year based on the assumptions set forth in this subsection.

C. Any tax credit not usable for the taxable year may be carried over to the extent usable for the next three taxable years; however, the balance of a credit shall not be claimed for any succeeding taxable year in which the child day-care facility is operated for purposes of child day-care for less than six months.

Code Section: § 58.1-439.4

Link: <http://ow.ly/zWKi50BWu8i>

continued

Virginia (continued)

FOR PARENTS

Tax Landscape: Nine states do not levy personal income taxes. (Seven states do not levy personal income taxes and an additional two states do not tax wages. For example, in those states investment income and interest is taxed but wages are not taxed).

Does Virginia levy taxes on personal income?

Yes

Does Virginia have a dependent care tax credit for parents?

Other, see below for more information

Parent Child Care Tax Credit Description

Virginia does not have a dependent care tax credit. Instead, a deduction is allowed for dependent care expenses based on expenses claimed under the federal child and dependent care tax credit (CDCTC). Families may only claim this deduction on their Virginia tax return if they were eligible to claim a credit for child and dependent care expenses on their federal return. For more information: <https://www.tax.virginia.gov/deductions>

Code Section: § 58.1-322.03

Link: <http://ow.ly/uKM150BWuLH>

OTHER POTENTIAL REVENUE SOURCES

Check out CED's Child Care Tax Credit Corner web page for other taxes that states may levy (e.g., estate or inheritance taxes, lottery taxes, marijuana taxes, property taxes, sales taxes, and tobacco and vaping taxes).

www.ced.org/child-care-state-tax-credits