

# VIRGINIA STATE

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## 1 - Abstract

As of 2019, Virginia holds a 7th overall state ranking in the U.S. for its economy and social services. It ranks 12th in healthcare and education, according to U.S. News (2021). Legislative changes have led to an economy ranking of 13th and an opportunity ranking of 8th for its residents (U.S. News, 2021). Recently, Gov. Ralph Northam signed legislation extending financial aid to students under the DREAM Act (LinkedIn, 2021).

Over the past century, Virginia transformed from a tobacco-growing rural economy to a manufacturing-based economy, and now to a knowledge-based service economy. Initially envisioned by Thomas Jefferson as a nation of farmers, Virginia's innovation began with the construction of I-95 in 1956, following the Federal Highway Act (Roads to the Future, 2003). This spurred interstate commerce and manufacturing, laying the groundwork for 20th and 21st-century innovation.

During Gerald Bailes' governorship (1986 - 1990), Virginia began transitioning to a knowledge-based service economy (Richmond, 2019). Known as the "Transportation Governor," Bailes also upgraded the education system, positioning Virginia in a globalized economy (Roanoke, 2021).

The rise of tech giants like Microsoft, Amazon, and Hewlett-Packard necessitated a knowledge-based workforce. The education commitment started by Gov. Bailes continued, with Virginia becoming a top destination for the tech industry's top 3%. This commitment has spurred growth across the economy, benefiting small businesses and attracting foreign investors.

Virginia's current annual GDP is \$557 billion, exceeding that of countries like New Zealand (\$509 billion) and Belgium (\$495 billion) (World O Meter, 2017). This article outlines Virginia's economic climate, aimed at educating foreign investors and companies seeking expansion in the U.S. Virginia's diverse economy includes shipbuilding, tobacco production, seafood harvesting, and a tech and transportation hub in Northern Virginia (U.S. News, 2021).

The three main sectors of Virginia's economy to be discussed are the tech industry, health/social services, and federal government contract work. Foreign companies can leverage the state's modern infrastructure, including a 5G network, fiber gigabit connections, and improved roads. Key economic areas are in Northern Virginia and Richmond. Northern Virginia is ideal for connections to the tech industry and government projects, while Richmond is suitable for manufacturing, offering access to transportation networks. Virginia is an inclusive region that values diversity, with businesses adapting to a changing world.

## 2 - The Tech Industry In Virginia

Virginia is rapidly becoming a tech hub, with 10.7% (436,545) of its workforce employed in the technology sector. According to Infinity Consulting Solutions (ICS), the tech industry accounts for 13.5% of the state's economy, valued at \$62.7 billion (Pellicio, 2021). These figures are a testament to the state's investment in education and infrastructure over the last thirty years.

Currently, Virginia ranks second in the U.S. for its number of tech workers. The state's thriving tech environment has not only benefited the top 3% of tech companies but also numerous

smaller tech firms. Castle Systems, operating in Northern Virginia since 1994, is a prime example of a company flourishing during this tech boom.

### Why Choose Virginia

Virginia's tech industry is experiencing a significant boom due to several factors. One key reason is the proximity to Washington, D.C., which attracts companies seeking strategic locations near the nation's capital. For instance, Amazon chose Arlington, VA for its facilities to be close to Washington, D.C. (The Hill, 2021). This move has led to the development of a skilled workforce specialized in cloud computing, machine learning, and artificial intelligence.

The state's education system is also structured to produce tech talent that often chooses to remain and work within Virginia. In 2018, tech job postings in the state increased by 32% (Pellicio, 2021), indicating a robust influx of businesses that find it profitable to recruit locally in large numbers. The revenue generated by the tech industry has also positively impacted surrounding communities, creating opportunities not just for residents but also for startups and foreign investors.

Virginia's Fiber network provides strategic access to Washington, D.C. Vital fiber lines running from Reston, Mclean, and Arlington into Washington D.C. offer network speeds of up to 940 Megabits per second (Slideshare, 2017). Businesses looking to expand in Virginia, particularly in the Northern Virginia area, can benefit from prioritized network traffic for efficient data transmission to and from major cities. Additionally, a direct subsea cable in Virginia Beach connects Europe to North America, ensuring network reliability. This infrastructure is less vulnerable to natural disasters or regional outages, making Virginia an attractive location for foreign and domestic businesses, especially for those looking to bridge networks between Europe and the Americas. Virginia's non-landlocked position further enhances its appeal over other states for companies seeking global connectivity.

Bandwidth and Fiber connections in Northern Virginia (Stratsoft, 2021)



Undersea Cable links in Virginia (NVTC, 2017)

### **3 - Federal and State Government Contracting**

The State and Federal Governments in Virginia offer contract bidding opportunities covering various economic sectors, from transportation to health and healthcare (Virginia, 2017). Virginia's proximity to Washington D.C. facilitates a significant number of state employers bidding for and undertaking government work. This is advantageous for foreign companies specializing in specific sectors, but they must comply with U.S. data security regulations and undergo thorough background checks.

To begin federal contracting, a business must first register as a legal entity with the IRS, obtaining a Tax ID and TIN. Following IRS registration, the next step is to register with SAM (System for Award Management), which requires a notarized letter and biannual renewal. SAM is the official site for federal government business registration and contract opportunities. Additionally, securing a CAGE (Commercial and Government Entity) code is necessary to identify the business in this context (Schaus, 2018). Northern Virginia's economy is partly geared towards federal government work, supporting infrastructure like roads, military bases, and industrial parks.

Being a small business vendor to the federal government opens up a new client base. In 2019, the federal government spent \$594 billion on contracts, a 34% increase from 2015, with most of this spending by the Department of Defense (Snyder, 2020). This expenditure boost led to a 19% increase in consumer spending, enhancing the consumer market for businesses outside federal contracts. The amount allocated to small businesses from federal contracts has also risen (Snyder, 2020). Although these figures are from 2019 and trends may change, it's likely that similar federal government spending trends will continue over the next five years, presenting opportunities for businesses relocating to Virginia.

Federal spending acts as a stimulus for the local economy, particularly in areas like tech and government contracting. Increased government spending leads to a stronger consumer market. However, it's important to note that current federal contract spending may be affected by the COVID-19 pandemic. Federal contracts span various industries, such as long-standing shipbuilding on Virginia's south coast. Companies entering Virginia should stay informed about booming industries to effectively market their services and products to a relevant audience.

### **4 - Health/Service Industry**

The COVID-19 pandemic has financially impacted hospitals and health systems nationwide, prompting a transformation in the Health and Service industry. Before the pandemic, the health industry was already moving towards digital health, reshaping its healthcare delivery model to mirror conveniences in industries like air travel, retail, and banking (Agee, 2020, p. 44). Virginia has strategically adopted technology for remote healthcare visits, expediting this shift with urgency due to the pandemic. This was facilitated by numerous CMS (Center for Medicare and Medicaid Services) emergency waivers.

An example of this rapid adaptation is seen at Carilion Clinic in Roanoke, Virginia, where programs planned for a two-year rollout were implemented within days. Currently, 73% of

Carilion Clinic's ambulatory visits are conducted virtually, with high satisfaction levels reported from both patients and providers (Agee, 2020, pp.44). Even as normal health services resume post-pandemic, Virginia plans to continue using virtual visits to ease the strain on its healthcare infrastructure.

This evolution in healthcare directly benefits companies operating in Virginia by ensuring employee care aligns with current standards. The state's health industry offers businesses the option of providing employment-based healthcare or opting for state-run healthcare for their employees. Despite these advancements, there remains a need for consumer assistance in healthcare, such as medical transportation and healthcare delivery. This presents opportunities for startups or expanding companies.

Virginia's adaptability is key to small business success, with lawmakers providing tools to reflect changes in the economic environment. The Virginia government supports the CARES Act, a \$2.2 trillion federal stimulus package passed in March 2020 to aid small businesses and individuals during the pandemic (Parkinson, 2020). The VEDP (Virginia Economic Development Partnership) offers financial assistance to businesses relocating to Virginia and hiring within the state. The Commonwealth's incentive programs, such as the COF (Commonwealth Opportunity Fund), help reduce the costs of opening or expanding a business facility in Virginia (VEDP, 2020). This state-sponsored fund is a decisive factor when there is stiff competition from other states for a company's expansion.

## **5 - Virginia Small Business Incentives**

Virginia boasts one of the lowest corporate income tax rates in the U.S. at 6%, providing small businesses with stable operating costs and sustainability. Unchanged since 1972, this competitive tax rate enhances Virginia's appeal to both local and foreign businesses (VEDP, 2020, pp.23). The state offers various incentive programs aimed at attracting foreign investors, such as The Port of Virginia and Infrastructure Development Grant, the Governor's Agricultural and Forestry Industries Development Fund, and the Virginia Enterprise Zone program. Each of these programs, detailed below, can be advantageous for those considering expanding their operations to Virginia under one of these initiatives.

### **Port of Virginia Economic Infrastructure Development Grant**

This program is directed by the Virginia Port Authority and is meant to incentivize businesses to expand their operations into ports in Virginia. The Virginia Port Authority has four criteria that businesses must meet to qualify for a cash grant (VEDP, 2020, pp.10) and are listed below:

- You must locate or expand a facility within the state
- The facility must create 25 new full-time permanent positions during the first year of operation of the facility
- The business or company must be involved in maritime commerce. This includes exports or imports of manufactured goods in the Port of Virginia

The company must be involved in at least one of the following:

- Distribution
- Freight forwarding

- Goods processing
- Manufacturing
- Warehousing
- Cross-docking
- Transloading
- Wholesaling of goods through the port

### **Governor's Agricultural and Forestry Industries Development Fund**

The Governor's discretionary incentive program offers grants to businesses that contribute value to Virginia's agricultural sector. Primarily, funding is directed to enterprises leading to new job creation or investment opportunities. The following is a list of criteria that must be met to qualify for this program (VEDP, 2020, p. 22).

- The Business owner is creating new jobs and capital in Virginia.
- The business must produce agricultural or forestry goods of value.
- 30% of the agricultural or forestry goods produced in the facility must be grown in Virginia.
- The Grant cannot exceed \$500,000 unless the facility has statewide or regional importance.
- A financial commitment must be made by the political subdivision applying for the grant.
- The business beneficiary must agree to a performance agreement that outlines metrics on job creation and capital investment.
- The public announcement of the project must be coordinated with the Governor's office.

### **Virginia Enterprise Zone Program**

The Virginia Enterprise Zone Program, overseen by the Virginia Department of Housing and Community Development, supports businesses developing and expanding in designated state-sanctioned enterprise zones. This program provides two distinct incentives for businesses operating in these areas. Additionally, each zone community presents its own set of incentives to businesses (VEDP, 2020, pp.18).

## **6 - The UBI Token & Cryptocurrency**

Cryptocurrencies, while not governed by centralized financial institutions, are subject to taxes and transfer fees. There are two primary tax categories for cryptocurrency transactions: long-term and short-term gains. Long-term gains, applied when assets are held for over a year, are taxed at 0 - 15% based on income. If you sell your investment at a loss, these taxes are not applicable. Short-term gains, for assets sold within 365 days of purchase, are taxed at your local income tax rate. Like long-term gains, no tax is due if you incur a loss, and the tax is based on your annual income. Additionally, cryptocurrency transactions involve gas fees, which vary depending on the exchange platform and the value of the cryptocurrency.

The Ubi Currency is a Crypto Token used within Ubiunodes for transactions. It facilitates the exchange of consultant services internationally, bypassing financial institution restrictions. Users must manage their own crypto wallet with Euros or Dollars for exchange. This

decentralized payment method allows swift, tax-exempt transactions. The token's value, backed by Ubinodes, is stable and not influenced by other cryptocurrencies' fluctuations. Clients can purchase Ubi tokens using fiat money or major cryptocurrencies, offering a faster payment option.

In Virginia, banks are beginning to accommodate cryptocurrency transactions. For instance, Charlottesville's Blue Ridge Bankshare allows Bitcoin transactions at its ATMs, the first in the U.S. to do so (Griset, 2021). With 19 ATMs for Bitcoin transactions, Virginia's adaptation to cryptocurrency makes it convenient for clients to transition their assets. In the next five years, it's anticipated that cryptocurrency will become a standard currency in Virginia banks. The state's thriving tech industry provides ample resources for cryptocurrency mining. Virginia offers various sellers of computers and networking equipment, making it an ideal location for starting cryptocurrency mining operations.

## **7 - Summary**

With the state of Virginia high ranking in business development and education, it has transformed itself into a globalized economy. These changes have come due to the investments made over the last 30 years and as the world continues to evolve so will Virginia. Currently, the economic environment is the most lucrative aspect of the state. This mostly includes the tax credits and incentives that the Commonwealth offers.

Again, as mentioned in the above sections, the corporate income tax rate is at 6% with tax credits for qualified companies. A good example of a tax credit that a company may receive in VA is a facility tax credit; companies that do qualify can receive a \$1,000 income tax credit for each full-time job created in the state (VEDP, 2020, pp.22).

The Commonwealth of Virginia hosts tax credits for multiple sectors of the economy and should be a first option when deciding to enter the Virginia market. The success of a business is determined by multiple factors which include health, education, technology and resources. The environment of Virginia supplies a portion of all these resources to companies looking to grow and expand.

Since the start of the tech boom in the mid-90s, the state of Virginia has been a home for the internet. With infrastructure projects like the data center in Henrico County, it creates a business climate that facilitates growth of companies that decide to expand to the state (VEDP, 2020, p.25). As of right now, the state is considering new locations for data centers that rely on clean renewable energy and a good partnership with the local community.

With access to a reliable pool of local talent, stable connections to fiber and a flexible electrical grid, the state is positioned to host the creation of new businesses. The future of the tech sector in the state will include the expansion of technical infrastructure from urban areas to suburban and rural areas. This will create jobs and change the way the state does business with the outside world; therefore, in the future I see new markets opening up in towns and cities in the Commonwealth that we do not have today.



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