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HOUSE BILL NO. 2856

Offered January 19, 2001

A BILL to amend and reenact §§ 58.1-320, 58.1-322, 58.1-400 and 58.1-3500 of the Code of Virginia, to amend the Code of Virginia by adding in Article 2 of Chapter 3 of Title 58.1 a section numbered 58.1-320.1, and by adding in Article 3 of Chapter 3 of Title 58.1 sections numbered 58.1-339.11 and 58.1-339.12, and to repeal § 58.1-339.8 of the Code of Virginia, relating to individual income and property tax rates, deductions, exemptions and credits.

Patron—Hull

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-320, 58.1-322, 58.1-400 and 58.1-3500 of the Code of Virginia are amended and reenacted, and that the Code of Virginia is amended by adding in Article 2 of Chapter 3 of Title 58.1 a section numbered 58.1-320.1, and by adding in Article 3 of Chapter 3 of Title 58.1 sections numbered 58.1-339.11 and 58.1-339.12 as follows:

§ 58.1-320. Imposition of tax.

A. A tax is hereby annually imposed on the Virginia taxable income for each taxable year of every individual as follows:

Two percent on income not exceeding \$3,000;

Three percent on income in excess of \$3,000, but not in excess of \$5,000;

Five percent on income in excess of \$5,000, but not in excess of \$12,000 for taxable years beginning before January 1, 1987;

Five percent on income in excess of \$5,000 but not in excess of \$14,000 for taxable years beginning January 1, 1987, through December 31, 1987;

Five percent on income in excess of \$5,000 but not in excess of \$15,000 for taxable years beginning January 1, 1988, through December 31, 1988;

Five percent on income in excess of \$5,000 but not in excess of \$16,000 for taxable years beginning January 1, 1989, through December 31, 1989;

Five percent on income in excess of \$5,000 but not in excess of \$17,000 for taxable years beginning January 1, 1990; not exceeding \$50,000 for taxable years beginning on or after January 1, 2002, but before January 1, 2003;

Six percent on income not exceeding \$50,000 for taxable years beginning on or after January 1, 2003;

Five and three-quarters percent on income in excess of \$12,000 for taxable years beginning before January 1, 1987;

Five and three-quarters percent on income in excess of \$14,000 for taxable years beginning January 1, 1987, through December 31, 1987;

Five and three-quarters percent on income in excess of \$15,000 for taxable years beginning January 1, 1988, through December 31, 1988;

Five and three-quarters percent on income in excess of \$16,000 for taxable years beginning January 1, 1989, through December 31, 1989; and

Five and three-quarters percent on income in excess of \$17,000 \$50,000 for taxable years beginning on and or after January 1, 1990 2002, but before January 1, 2003; and

Six and three-quarters percent on income in excess of \$50,000 for taxable years beginning on or after January 1, 2003.

B. The revenue generated by the tax increase provided in subsection A and enacted by the 2001 General Assembly shall be administered and distributed to the localities based on each taxpayer's residence and in accordance with § 58.1-320.1. For purposes of this article, an individual shall be deemed to be a resident of any county or city in which the individual is domiciled at any time during the taxable year or has maintained his place of abode for an aggregate of more than 183 days of the taxable year.

§ 58.1-320.1. Administration and distribution of localities' share of income tax revenue; costs of administration.

A. All additional income tax revenues collected after January 1, 2002, by the Tax Commissioner pursuant to §§ 58.1-320 and 58.1-400 shall be paid into the General Fund of the state treasury. For purposes of this article, such revenues shall be referred to as the local income tax revenues.

B. Such revenues shall be transferred monthly by the Comptroller to a special fund titled

INTRODUCED

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59 *"Collections of Local Income Tax Revenues," upon certification of such amounts by the Tax*
60 *Commissioner.*

61 *C. As soon as practicable after the last day of each calendar quarter, the Comptroller shall pay over*
62 *and distribute to each county and city the local income tax revenues to be estimated by the Tax*
63 *Commissioner. The Tax Commissioner shall reconcile such estimates during the month following the*
64 *close of the fiscal year for those returns on file for the preceding taxable year.*

65 *D. The direct costs of state administration of the local income tax revenues as certified to the*
66 *Comptroller by the Department of Taxation shall be deducted on a prorated basis from the distributions*
67 *to each county and city under subsection C. In determining each county's or city's prorated share of*
68 *administrative costs, the Comptroller shall apportion the total administrative costs in the ratio that the*
69 *revenues of each county or city bear to the total local income tax revenues distributed. Any direct costs*
70 *for local administration of the local income tax revenues shall be paid entirely from the local revenues*
71 *of the county or city.*

72 *E. Revenues derived by a county or city from the local income tax revenues collected under this*
73 *article shall be in addition to those allocated to the county or city in accordance with Chapter 35.1*
74 *(§ 58.1-3523 et seq.) of Title 58.1, which allocations shall not be reduced as a result of any revenues*
75 *received hereunder.*

76 *Revenues derived by a county or city from the local income tax revenues collected under this article*
77 *shall be in addition to those collected by a county or city as a result of levying the real property tax.*
78 *Any county or city that receives revenues from the local income tax collected under this article shall not*
79 *reduce its real property tax effective rate below the rate that existed on January 1, 2002.*

80 § 58.1-322. Virginia taxable income of residents.

81 *A. The Virginia taxable income of a resident individual means his federal adjusted gross income for*
82 *the taxable year, which excludes combat pay for certain members of the Armed Forces of the United*
83 *States as provided in § 112 of the Internal Revenue Code, as amended, and with the modifications*
84 *specified in this section.*

85 *B. To the extent excluded from federal adjusted gross income, there shall be added:*

86 *1. Interest, less related expenses to the extent not deducted in determining federal income, on*
87 *obligations of any state other than Virginia, or of a political subdivision of any such other state unless*
88 *created by compact or agreement to which Virginia is a party;*

89 *2. Interest or dividends, less related expenses to the extent not deducted in determining federal*
90 *taxable income, on obligations or securities of any authority, commission or instrumentality of the*
91 *United States, which the laws of the United States exempt from federal income tax but not from state*
92 *income taxes;*

93 *3. Unrelated business taxable income as defined by § 512 of the Internal Revenue Code;*

94 *4. The amount of a lump sum distribution from a qualified retirement plan, less the minimum*
95 *distribution allowance and any amount excludable for federal income tax purposes which is excluded*
96 *from federal adjusted gross income solely by virtue of an individual's election to use the averaging*
97 *provisions under § 402 of the Internal Revenue Code;*

98 *5 through 7. [Repealed.]*

99 *8. For taxable years beginning on and after January 1, 1990, and before January 1, 1994, any amount*
100 *of self-employment tax deduction under § 164 (f) of the Internal Revenue Code; and*

101 *9. The amount required to be included in income for the purpose of computing the partial tax on an*
102 *accumulation distribution pursuant to § 667 of the Internal Revenue Code.*

103 *C. To the extent included in federal adjusted gross income, there shall be subtracted:*

104 *1. Income derived from obligations, or on the sale or exchange of obligations, of the United States*
105 *and on obligations or securities of any authority, commission or instrumentality of the United States to*
106 *the extent exempt from state income taxes under the laws of the United States including, but not limited*
107 *to, stocks, bonds, treasury bills, and treasury notes, but not including interest on refunds of federal taxes,*
108 *interest on equipment purchase contracts, or interest on other normal business transactions.*

109 *2. Income derived from obligations, or on the sale or exchange of obligations of this Commonwealth*
110 *or of any political subdivision or instrumentality of this Commonwealth.*

111 *3. [Repealed.]*

112 *4. Benefits received under Title II of the Social Security Act and other benefits subject to federal*
113 *income taxation solely pursuant to § 86 of the Internal Revenue Code.*

114 *4a. Through December 31, 2000 the same amount used in computing the federal credit allowed under*
115 *§ 22 of the Internal Revenue Code by a retiree under age sixty-five who qualified for such retirement on*
116 *the basis of permanent and total disability and who is a qualified individual as defined in § 22 (b) (2) of*
117 *the Internal Revenue Code; however, any person who claims a deduction under subdivision 54 of*
118 *subsection D of this section may not also claim a subtraction under this subdivision.*

119 *4b. For taxable years beginning on or after January 1, 2001, up to \$20,000 of disability income, as*
120 *defined in § 22 (c) (2) (B) (iii) of the Internal Revenue Code; however, any person who claims a*

deduction under subdivision 54 of subsection D of ~~this section~~ may not also claim a subtraction under this subdivision.

5. The amount of any refund or credit for overpayment of income taxes imposed by the Commonwealth or any other taxing jurisdiction.

6. The amount of wages or salaries eligible for the federal Targeted Jobs Credit which was not deducted for federal purposes on account of the provisions of § 280C (a) of the Internal Revenue Code.

7. Any amount included therein which is foreign source income as defined in § 58.1-302.

8. [Repealed.]

9. [Expired.]

10. Any amount included therein less than \$600 from a prize awarded by the State Lottery Department.

11. The wages or salaries received by any person for active and inactive service in the National Guard of the Commonwealth of Virginia, not to exceed the amount of income derived from thirty-nine calendar days of such service or \$3,000, whichever amount is less; however, only those persons in the ranks of O3 and below shall be entitled to the deductions specified herein.

12. Amounts received by an individual, not to exceed \$1,000 in any taxable year, as a reward for information provided to a law-enforcement official or agency, or to a nonprofit corporation created exclusively to assist such law-enforcement official or agency, in the apprehension and conviction of perpetrators of crimes. This provision shall not apply to the following: an individual who is an employee of, or under contract with, a law-enforcement agency, a victim or the perpetrator of the crime for which the reward was paid, or any person who is compensated for the investigation of crimes or accidents.

13. [Repealed.]

14. (Expires for taxable years beginning on and after January 1, 2004.) The amount of any qualified agricultural contribution as determined in § 58.1-322.2.

15. [Repealed.]

16. The amounts of self-employment tax required to be added in computing Virginia taxable income for taxable years beginning on and after January 1, 1990, but before January 1, 1994, pursuant to subdivision B 8 of ~~this section~~, as follows:

a. For taxable years beginning on and after January 1, 1994, and before January 1, 1995, the amount of self-employment tax added to federal adjusted gross income in taxable years beginning on and after January 1, 1990, and before January 1, 1991;

b. For taxable years beginning on and after January 1, 1995, and before January 1, 1996, the amount of self-employment tax added to federal adjusted gross income in taxable years beginning on and after January 1, 1991, and before January 1, 1992;

c. For taxable years beginning on and after January 1, 1996, and before January 1, 1997, the amount of self-employment tax added to federal adjusted gross income in taxable years beginning on and after January 1, 1992, and before January 1, 1993;

d. For taxable years beginning on and after January 1, 1997, and before January 1, 1998, the amount of self-employment tax added to federal adjusted gross income in taxable years beginning on and after January 1, 1993, and before January 1, 1994, and any amount of self-employment tax required to be added back for taxable years beginning on and after January 1, 1990, and before January 1, 1994, which was not subtracted in those taxable years.

17. For taxable years beginning on and after January 1, 1995, the amount of "qualified research expenses" or "basic research expenses" eligible for deduction for federal purposes, but which were not deducted, on account of the provisions of § 280C(c) of the Internal Revenue Code and which shall be available to partners, shareholders of S corporations, and members of limited liability companies to the extent and in the same manner as other deductions may pass through to such partners, shareholders, and members.

18. For taxable years beginning on or after January 1, 1995, all military pay and allowances, not otherwise subtracted under this subsection, earned for any month during any part of which such member performed military service in any part of the former Yugoslavia, including the air space above such location or any waters subject to related naval operations, in support of Operation JOINT ENDEAVOR as part of the NATO Peace Keeping Force. Such subtraction shall be available until the taxpayer completes such service.

19. For taxable years beginning on and after January 1, 1996, any income received during the taxable year derived from a qualified pension, profit-sharing, or stock bonus plan as described by § 401 of the Internal Revenue Code, an individual retirement account or annuity established under § 408 of the Internal Revenue Code, a deferred compensation plan as defined by § 457 of the Internal Revenue Code, or any federal government retirement program, the contributions to which were deductible from the taxpayer's federal adjusted gross income, but only to the extent the contributions to such plan or program were subject to taxation under the income tax in another state.

182 20. For taxable years beginning on and after January 1, 1997, any income attributable to a
183 distribution of benefits or a refund from a prepaid tuition contract or savings trust account with the
184 Virginia College Savings Plan, created pursuant to Chapter 4.9 (§ 23-38.75 et seq.) of Title 23. The
185 subtraction for any income attributable to a refund shall be limited to income attributable to a refund in
186 the event of a beneficiary's death, disability, or receipt of a scholarship.

187 21. For taxable years beginning on or after January 1, 1998, all military pay and allowances, to the
188 extent included in federal adjusted gross income and not otherwise subtracted, deducted or exempted
189 under this section, earned by military personnel while serving by order of the President of the United
190 States with the consent of Congress in a combat zone or qualified hazardous duty area which is treated
191 as a combat zone for federal tax purposes pursuant to § 112 of the Internal Revenue Code.

192 22. For taxable years beginning on or after January 1, 2000, the gain derived from the sale or
193 exchange of real property or the sale or exchange of an easement to real property which results in the
194 real property or the easement thereto being devoted to open-space use, as that term is defined in
195 § 58.1-3230, for a period of time not less than thirty years. To the extent a subtraction is taken in
196 accordance with this subdivision, no tax credit under this chapter for donating land for its preservation
197 shall be allowed for three years following the year in which the subtraction is taken.

198 23. (Delayed effective date - See notes) Effective for all taxable years beginning on or after January
199 1, 2000, \$15,000 of military basic pay for military service personnel on extended active duty for periods
200 in excess of ninety days; however, the subtraction amount shall be reduced dollar-for-dollar by the
201 amount which the taxpayer's military basic pay exceeds \$15,000 and shall be reduced to zero if such
202 military basic pay amount is equal to or exceeds \$30,000.

203 24. (Delayed effective date - See notes) Effective for all taxable years beginning on and after January
204 1, 2000, the first \$15,000 of salary for each federal and state employee whose annual salary is \$15,000
205 or less.

206 25. (Delayed effective date - See notes) Unemployment benefits taxable pursuant to § 85 of the
207 Internal Revenue Code.

208 26. For taxable years beginning on and after January 1, 2001, any amount received as military
209 retirement income by an individual awarded the Congressional Medal of Honor.

210 27. Effective for all taxable years beginning on and after January 1, 1999, income received as a
211 result of (i) the "Master Settlement Agreement," as defined in § 9-380; (ii) the National Tobacco Grower
212 Settlement Trust dated July 19, 1999; and (iii) the Tobacco Loss Assistance Program, pursuant to 7
213 C.F.R. Part 1464 (Subpart C, §§ 1464.201 through 1464.205), by (a) tobacco farmers; (b) any person
214 holding a tobacco marketing quota, or tobacco farm acreage allotment, under the Agricultural
215 Adjustment Act of 1938; or (c) any person having the right to grow tobacco pursuant to such a quota or
216 allotment, but only to the extent that such income has not been subtracted pursuant to subdivision C 18
217 of § 58.1-402.

218 28. For taxable years beginning on and after January 1, 2000, items of income attributable to,
219 derived from or in any way related to (i) assets stolen from, hidden from or otherwise lost by an
220 individual who was a victim or target of Nazi persecution or (ii) damages, reparations, or other
221 consideration received by a victim or target of Nazi persecution to compensate such individual for
222 performing labor against his will under the threat of death, during World War II and its prelude and
223 direct aftermath. This subtraction shall not apply to assets acquired with such items of income or with
224 the proceeds from the sale of assets stolen from, hidden from or otherwise lost to, during World War II
225 and its prelude and direct aftermath, a victim or target of Nazi persecution. The provisions of this
226 subdivision shall only apply to an individual who was the first recipient of such items of income and
227 who was a victim or target of Nazi persecution, or a spouse, widow, widower, or child or stepchild of
228 such victim.

229 "Victim or target of Nazi persecution" means any individual persecuted or targeted for persecution by
230 the Nazi regime who had assets stolen from, hidden from or otherwise lost as a result of any act or
231 omission in any way relating to (i) the Holocaust; (ii) World War II and its prelude and direct
232 aftermath; (iii) transactions with or actions of the Nazi regime; (iv) treatment of refugees fleeing Nazi
233 persecution; or (v) the holding of such assets by entities or persons in the Swiss Confederation during
234 World War II and its prelude and aftermath. A victim or target of Nazi persecution shall also include
235 any individual forced into labor against his will, under the threat of death, during World War II and its
236 prelude and direct aftermath. As used in this subdivision, "Nazi regime" means the country of Nazi
237 Germany, areas occupied by Nazi Germany, those European countries allied with Nazi Germany, or any
238 other neutral European country or area in Europe under the influence or threat of Nazi invasion.

239 D. In computing Virginia taxable income there shall be deducted from federal adjusted gross income:

240 1. a. The amount allowable for itemized deductions for federal income tax purposes where the
241 taxpayer has elected for the taxable year to itemize deductions on his federal return, but reduced by the
242 amount of income taxes imposed by the Commonwealth or any other taxing jurisdiction and deducted
243 on such federal return and increased by an amount which, when added to the amount deducted under

§ 170 of the Internal Revenue Code for mileage, results in a mileage deduction at the state level for such purposes at a rate of eighteen cents per mile; or

b. Two thousand dollars for taxable years beginning January 1, 1987, through December 31, 1987; \$2,700 for taxable years beginning January 1, 1988, through December 31, 1988; and \$5,000 for taxable years beginning January 1, 1989, but before January 1, 2002; and \$7,000 for taxable years beginning on or after January 1, 2002, for married persons (one-half of such amounts in the case of a married individual filing a separate return); and \$3,000 for taxable years beginning January 1, 1989, but before January 1, 2002; and \$3,500 for taxable years beginning on or after January 1, 2002, for single individuals for taxable years beginning on and after January 1, 1989; provided that the taxpayer has not itemized deductions for the taxable year on his federal income tax return. For purposes of this section, any person who may be claimed as a dependent on another taxpayer's return for the taxable year may compute the deduction only with respect to earned income.

2. a. A deduction in the amount of \$700 for taxable years beginning January 1, 1987, through December 31, 1987, and \$800 for taxable years beginning on and after January 1, 1988, for each personal exemption allowable to the taxpayer for federal income tax purposes. For taxable years beginning on and after January 1, 1987, each blind or aged taxpayer as defined under § 63 (f) of the Internal Revenue Code shall be entitled to an additional personal exemption.

b. An additional deduction of \$200 for taxable years beginning January 1, 1987, through December 31, 1987, for each blind or aged taxpayer as defined under § 63 (f) of the Internal Revenue Code. The additional deduction for blind or aged taxpayers allowed under this subdivision and the additional personal exemption allowed to blind or aged taxpayers under subdivision 2 a of this subsection shall be allowable regardless of whether the taxpayer itemizes deductions for the taxable year for federal income tax purposes.

3. A deduction equal to the amount of employment-related expenses upon which the federal credit is based under § 21 of the Internal Revenue Code for expenses for household and dependent care services necessary for gainful employment.

43. An additional \$1,000 deduction for each child residing for the entire taxable year in a home under permanent foster care placement as defined in Chapter 10 (§ 63.1-195 et seq.) of Title 63.1, provided the taxpayer can also claim the child as a personal exemption under § 151 of the Internal Revenue Code.

54. Effective for all taxable years beginning on and after January 1, 1990, a deduction in the amount of \$12,000 for taxpayers age sixty-five or older, or \$6,000 for taxpayers age sixty-two through sixty-four, less any amount received pursuant to the (i) Social Security Act or (ii) Railroad Retirement Act and treated for federal income tax purposes as equivalent to social security. Beginning in taxable year 1992 through taxable year 1993, the \$12,000 and \$6,000 deduction amounts shall be indexed annually in each such taxable year by an amount equivalent to the most recent percentage increase in the social security wage base.

Effective for the taxable year beginning January 1, 1994, a deduction in the amount of \$12,944 for taxpayers age sixty-five or older, or \$6,472 for taxpayers age sixty-two through sixty-four. Effective for the taxable year beginning January 1, 1995, a deduction in the amount of \$10,000 for taxpayers age sixty-five or older, or \$5,000 for taxpayers age sixty-two through sixty-four. Effective for all taxable years beginning on or after January 1, 1996, a deduction in the amount of \$12,000 for taxpayers age sixty-five or older, or \$6,000 for taxpayers age sixty-two through sixty-four.

Beginning in taxable year 1995, the deductions under this subdivision shall not be reduced by any amount received pursuant to the (i) Social Security Act or (ii) Railroad Retirement Act and treated for federal income tax purposes as equivalent to social security.

65. For taxable years beginning on and after January 1, 1997, the amount an individual pays as a fee for an initial screening to become a possible bone marrow donor, if (i) the individual is not reimbursed for such fee or (ii) the individual has not claimed a deduction for the payment of such fee on his federal income tax return.

76. a. (Effective for taxable years beginning on and after January 1, 1996.) A deduction shall be allowed to the purchaser or contributor for the amount paid or contributed during the taxable year for a prepaid tuition contract or savings trust account entered into with the Virginia College Savings Plan, pursuant to Chapter 4.9 (§ 23-38.75 et seq.) of Title 23. Except as provided in subdivision 76 c, the amount deducted on any individual income tax return in any taxable year shall be limited to \$2,000 per prepaid tuition contract or savings trust account. No deduction shall be allowed pursuant to this section if such payments or contributions are deducted on the purchaser's or contributor's federal income tax return. If the purchase price or annual contribution to a savings trust account exceeds \$2,000, the remainder may be carried forward and subtracted in future taxable years until the purchase price or savings trust contribution has been fully deducted; however, except as provided in subdivision 76 c, in no event shall the amount deducted in any taxable year exceed \$2,000 per contract or savings trust

305 account. Notwithstanding the statute of limitations on assessments contained in § 58.1-312, any
306 deduction taken hereunder shall be subject to recapture in the taxable year or years in which
307 distributions or refunds are made for any reason other than (i) to pay qualified higher education
308 expenses, as defined in § 529 of the Internal Revenue Code or (ii) the beneficiary's death, disability, or
309 receipt of a scholarship. For the purposes of this subdivision, the term "purchaser" or "contributor"
310 means the person shown as such on the records of the Virginia College Savings Plan as of December 31
311 of the taxable year. In the case of a transfer of ownership of a prepaid tuition contract or savings trust
312 account, the transferee shall succeed to the transferor's tax attributes associated with a prepaid tuition
313 contract or savings trust account, including, but not limited to, carryover and recapture of deductions.

314 b. (Effective for taxable years beginning on and after January 1, 1996.) The amount paid for a
315 prepaid tuition contract during taxable years beginning on or after January 1, 1996, but before January
316 1, 1998, shall be deducted in taxable years beginning on or after January 1, 1998, and shall be subject
317 to the limitations set out in subdivision 76 a.

318 c. (Effective for taxable years beginning on and after January 1, 1998.) A purchaser of a prepaid
319 tuition contract or contributor to a savings trust account who has attained age seventy shall not be
320 subject to the limitation that the amount of the deduction not exceed \$2,000 per prepaid tuition contract
321 or savings trust account in any taxable year. Such taxpayer shall be allowed a deduction for the full
322 amount paid for the contract or contributed to a savings trust account, less any amounts previously
323 deducted. If a prepaid tuition contract was purchased by such taxpayer during taxable years beginning
324 on or after January 1, 1996, but before January 1, 1998, such taxpayer may take the deduction for the
325 full amount paid during such years, less any amounts previously deducted with respect to such
326 payments, in taxable year 1999 or by filing an amended return for taxable year 1998.

327 87. For taxable years beginning on and after January 1, 2000, the total amount an individual actually
328 contributed in funds to the Virginia Public School Construction Grants Program and Fund, established in
329 Chapter 11.1 (§ 22.1-175.1 et seq.) of Title 22.1, provided the individual has not claimed a deduction for
330 such amount on his federal income tax return.

331 98. For taxable years beginning on and after January 1, 1999, an amount equal to twenty percent of
332 the tuition costs incurred by an individual employed as a primary or secondary school teacher licensed
333 pursuant to Chapter 15 (§ 22.1-289.1 et seq.) of Title 22.1 to attend continuing teacher education courses
334 that are required as a condition of employment; however, the deduction provided by this subsection shall
335 be available only if (i) the individual is not reimbursed for such tuition costs and (ii) the individual has
336 not claimed a deduction for the payment of such tuition costs on his federal income tax return.

337 109. For taxable years beginning on and after January 1, 2000, the amount an individual pays
338 annually in premiums for long term health care insurance, provided the individual has not claimed a
339 deduction for federal income tax purposes.

340 E. There shall be added to or subtracted from federal adjusted gross income, as the case may be, the
341 individual's share, as beneficiary of an estate or trust, of the Virginia fiduciary adjustment determined
342 under § 58.1-361.

343 F. There shall be added or subtracted, as the case may be, the amounts provided in § 58.1-315 as
344 transitional modifications.

345 § 58.1-339.11. *Personal exemption credit.*

346 *For taxable years beginning on or after January 1, 2002, an individual shall be entitled to a credit*
347 *against the tax imposed by § 58.1-320 in the amount of \$125 for each personal exemption allowable to*
348 *the taxpayer for federal income tax purposes.*

349 § 58.1-339.12. *State earned income tax credit.*

350 *For taxable years beginning on or after January 1, 2002, any individual or persons filing a joint*
351 *return shall be allowed a refundable credit against the tax levied pursuant to § 58.1-320 in an amount*
352 *equal to twenty percent of the federal earned income tax credit. For any taxable year in which a*
353 *husband and wife file separate Virginia income tax returns, the credit provided under this section shall*
354 *be allowed against the tax for only one of such two tax returns. Additionally, the credit provided under*
355 *this section shall not be allowed against such tax of a dependent of the individual or of married*
356 *persons.*

357 *Any individual whose credit exceeds his tax liability shall receive a refund equal to the amount that*
358 *the credit exceeds the tax liability.*

359 § 58.1-400. *Imposition of tax.*

360 A. A tax at the rate of six percent for taxable years beginning before January 1, 2002, and seven
361 percent for taxable years beginning on or after January 1, 2002, is hereby annually imposed on the
362 Virginia taxable income for each taxable year of every corporation organized under the laws of the
363 Commonwealth and every foreign corporation having income from Virginia sources.

364 B. *The revenue generated by the tax increase provided in subsection A and enacted by the 2001*
365 *General Assembly shall be administered in accordance with § 58.1-320.1 and distributed to the localities*
366 *based on each locality's share of total full-time employees, as determined by the Tax Commissioner.*

367 § 58.1-3500. Defined and segregated for local taxation; rate limitation.
368 Tangible personal property shall consist of all personal property not otherwise classified by
369 § 58.1-1100 as intangible personal property or by § 58.1-3510 as merchants' capital. Such tangible
370 personal property is hereby segregated for and made subject to local taxation only pursuant to Article X,
371 Section 4 of the Constitution of Virginia; *however, no county, city or town shall impose a tax on such*
372 *property in excess of one cent per \$100 of assessed value for tax years beginning on and after January*
373 *1, 2002.*
374 2. That effective for taxable years beginning on or after January 1, 2002, § 58.1-339.8 of the Code
375 of Virginia is repealed.