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**HOUSE BILL NO. 1296****FLOOR AMENDMENT IN THE NATURE OF A SUBSTITUTE**(Proposed by Senator Barry  
on February 27, 2002)

(Patron Prior to Substitute—Delegate Rollison)

*A BILL to amend and reenact §§ 58.1-602, 58.1-605, 58.1-606, 58.1-608.3, 58.1-611.1, 58.1-614, 58.1-626 and 58.1-3833 of the Code of Virginia; to amend the Code of Virginia by adding sections numbered 58.1-604.4 and 58.1-628.1; and to repeal Article 22 (§§ 58.1-540 through 58.1-549) of Chapter 3 of Title 58.1 and §§ 58.1-627 and 58.1-628 of the Code of Virginia, relating to sales and use taxes in counties and cities of the Commonwealth that were part of a planning district, established pursuant to § 15.2-4203, whose entire planning district geographic boundaries were, as of January 1, 2002, designated as nonattainment for the one-hour ozone standard pursuant to the federal Clean Air Act Amendments of 1990 and dedicating revenues from such taxes for transportation projects for such counties and cities.*

Whereas, the nonattainment designation under the federal Clean Air Act for one-hour ozone indicates, among other things, that the citizens of such area are at risk for respiratory health problems and that all localities in such area are in jeopardy of losing federal highway funds; and

Whereas, the nonattainment designation for one-hour ozone is directly related to the severity of traffic congestion in an area; and

Whereas, the nonattainment designation for one-hour ozone and the severity of traffic congestion are credible threats to the quality of life and economic independence of the residents of such area; and

Whereas, one purpose of the Regional Cooperation Act pursuant to § 15.2-4201 is to "improve public health, safety, convenience and welfare, and to provide for the social, economic and physical development of communities and metropolitan areas of the Commonwealth on a sound and orderly basis, within a governmental framework and economic environment which will foster constructive growth and efficient administration"; and

Whereas, the entire geographic boundaries of the Eighth Planning District suffer from nonattainment for one-hour ozone and severe traffic congestion; and

Whereas, pursuant to Chapter 48.1 (§ 15.2-4816 et seq.) of Title 15.2, the Northern Virginia Transportation Authority, the General Assembly has determined that the development of an integrated and efficient transportation system, composed of transit facilities, public highways, and other modes of transport, is necessary for the continued prosperity and quality of life of the citizens in the counties and cities of the Eighth Planning District; and

Whereas, the General Assembly has also determined pursuant to Chapter 48.1 that the most advisable means of planning and developing a transportation system required for the safety, comfort, and convenience of the citizens of such counties and cities and for the economical utilization of public funds is to create a transportation authority, the Northern Virginia Transportation Authority, comprised of, amongst other persons, representatives of such counties and cities; and

Whereas, the General Assembly has vested the Northern Virginia Transportation Authority with the powers necessary to construct such transportation system, including the power to issue debt; and

Whereas, by affirming the provisions of this act the General Assembly is reconfirming the Commonwealth's long-standing policy that safe, adequate, and efficient transportation systems cannot be achieved on a locality by locality basis, but planning and action on a regional basis is required; and

Whereas, as the counties and cities of the Eighth Planning District are designated nonattainment for one-hour ozone, there is a commonality of interest and a commonality of ability to act in such region because the resulting serious regional problem coincides with a previously determined region where the rectifying transportation projects in the region are naturally connected; and

Whereas, the current designation of nonattainment for one-hour ozone for all of the counties and cities of the Eighth Planning District has created a crisis that requires bold and immediate action; and

Whereas, the General Assembly affirms that a high-quality transportation system is fundamental for the continued prosperity and quality of life of the citizens of the Commonwealth; now, therefore,

**Be it enacted by the General Assembly of Virginia:**

**1. That §§ 58.1-602, 58.1-605, 58.1-606, 58.1-608.3, 58.1-611.1, 58.1-614, 58.1-626 and 58.1-3833 of the Code of Virginia are amended and reenacted and that the Code of Virginia is amended by adding sections numbered 58.1-604.4 and 58.1-628.1 as follows:**

§ 58.1-602. Definitions.

As used in this chapter, unless the context clearly shows otherwise, the term or phrase:

"Advertising" means the planning, creating, or placing of advertising in newspapers, magazines, billboards, broadcasting and other media, including, without limitation, the providing of concept, writing,

60 graphic design, mechanical art, photography and production supervision. Any person providing  
61 advertising as defined herein shall be deemed to be the user or consumer of all tangible personal  
62 property purchased for use in such advertising.

63 "Amplification, transmission and distribution equipment" means, but is not limited to, production,  
64 distribution, and other equipment used to provide Internet-access services, such as computer and  
65 communications equipment and software used for storing, processing and retrieving end-user subscribers'  
66 requests.

67 "Business" includes any activity engaged in by any person, or caused to be engaged in by him, with  
68 the object of gain, benefit or advantage, either directly or indirectly.

69 "Cost price" means the actual cost of an item or article of tangible personal property computed in the  
70 same manner as the sales price as defined in this section without any deductions therefrom on account  
71 of the cost of materials used, labor, or service costs, transportation charges, or any expenses whatsoever.

72 "Custom program" means a computer program which is specifically designed and developed only for  
73 one customer. The combining of two or more prewritten programs does not constitute a custom  
74 computer program. A prewritten program that is modified to any degree remains a prewritten program  
75 and does not become custom.

76 "Distribution" means the transfer or delivery of tangible personal property for use, consumption, or  
77 storage by the distributee, and the use, consumption, or storage of tangible personal property by a  
78 person who has processed, manufactured, refined, or converted such property, but does not include the  
79 transfer or delivery of tangible personal property for resale or any use, consumption, or storage  
80 otherwise exempt under this chapter.

81 "Gross proceeds" means the charges made or voluntary contributions received for the lease or rental  
82 of tangible personal property or for furnishing services, computed with the same deductions, where  
83 applicable, as for sales price as defined in this section over the term of the lease, rental, service, or use,  
84 but not less frequently than monthly.

85 "Gross sales" means the sum total of all retail sales of tangible personal property or services as  
86 defined in this chapter, without any deduction, except as provided in this chapter. "Gross sales" shall not  
87 include the federal retailers' excise tax or the federal diesel fuel excise tax imposed in § 4091 of the  
88 Internal Revenue Code if the excise tax is billed to the purchaser separately from the selling price of the  
89 article, or the Virginia retail sales or use tax, or any sales or use tax imposed by any county or city  
90 under § 58.1-605 or § 58.1-606 *or any tax imposed pursuant to § 58.1-604.4.*

91 "Import" and "imported" are words applicable to tangible personal property imported into this  
92 Commonwealth from other states as well as from foreign countries, and "export" and "exported" are  
93 words applicable to tangible personal property exported from this Commonwealth to other states as well  
94 as to foreign countries.

95 "In this Commonwealth" or "in the Commonwealth" means within the limits of the Commonwealth  
96 of Virginia and includes all territory within these limits owned by or ceded to the United States of  
97 America.

98 "Internet" means collectively, the myriad of computer and telecommunications facilities, which  
99 comprise the interconnected world-wide network of computer networks.

100 "Internet service" means a service that enables users to access proprietary and other content,  
101 information electronic mail, and the Internet as part of a package of services sold to end-user  
102 subscribers.

103 "Lease or rental" means the leasing or renting of tangible personal property and the possession or use  
104 thereof by the lessee or renter for a consideration, without transfer of the title to such property.

105 "Manufacturing, processing, refining, or conversion" includes the production line of the plant starting  
106 with the handling and storage of raw materials at the plant site and continuing through the last step of  
107 production where the product is finished or completed for sale and conveyed to a warehouse at the  
108 production site, and also includes equipment and supplies used for production line testing and quality  
109 control. The term "manufacturing" shall also include the necessary ancillary activities of newspaper and  
110 magazine printing when such activities are performed by the publisher of any newspaper or magazine  
111 for sale daily or regularly at average intervals not exceeding three months.

112 The determination whether any manufacturing, mining, processing, refining or conversion activity is  
113 industrial in nature shall be made without regard to plant size, existence or size of finished product  
114 inventory, degree of mechanization, amount of capital investment, number of employees or other factors  
115 relating principally to the size of the business. Further, "industrial in nature" shall include, but not be  
116 limited to, those businesses classified in codes 10 through 14 and 20 through 39 published in the  
117 Standard Industrial Classification Manual for 1972 and any supplements issued thereafter.

118 "Modular building" means, but shall not be limited to, single and multifamily houses, apartment  
119 units, commercial buildings, and permanent additions thereof, comprised of one or more sections that are  
120 intended to become real property, primarily constructed at a location other than the permanent site, built  
121 to comply with the Virginia Industrialized Building Safety Law (§ 36-70 et seq.) as regulated by the

Virginia Department of Housing and Community Development, and shipped with most permanent components in place to the site of final assembly. For purposes of this chapter, a modular building shall not include a mobile office as defined in § 58.1-2401 or any manufactured building subject to and certified under the provisions of the National Manufactured Housing Construction and Safety Standards Act of 1974 (42 U.S.C. § 5401 et seq.).

"Modular building manufacturer" means a person or corporation who owns or operates a manufacturing facility and is engaged in the fabrication, construction and assembling of building supplies and materials into modular buildings, as defined in this section, at a location other than at the site where the modular building will be assembled on the permanent foundation and may or may not be engaged in the process of affixing the modules to the foundation at the permanent site.

"Modular building retailer" means any person who purchases or acquires a modular building from a modular building manufacturer, or from another person, for subsequent sale to a customer residing within or outside of the Commonwealth, with or without installation of the modular building to the foundation at the permanent site.

"Motor vehicle" means a "motor vehicle" as defined in § 58.1-2401, taxable under the provisions of the Virginia Motor Vehicles Sales and Use Tax Act (§ 58.1-2400 et seq.) and upon the sale of which all applicable motor vehicle sales and use taxes have been paid.

"Occasional sale" means a sale of tangible personal property not held or used by a seller in the course of an activity for which he is required to hold a certificate of registration, including the sale or exchange of all or substantially all the assets of any business and the reorganization or liquidation of any business, provided such sale or exchange is not one of a series of sales and exchanges sufficient in number, scope and character to constitute an activity requiring the holding of a certificate of registration.

"Open video system" means an open video system authorized pursuant to 47 U.S.C. § 573 and, for purposes of this chapter only, shall also include Internet service regardless of whether the provider of such service is also a telephone common carrier.

"Person" includes any individual, firm, copartnership, cooperative, nonprofit membership corporation, joint venture, association, corporation, estate, trust, business trust, trustee in bankruptcy, receiver, auctioneer, syndicate, assignee, club, society, or other group or combination acting as a unit, body politic or political subdivision, whether public or private, or quasi-public, and the plural of such term shall mean the same as the singular.

"Prewritten program" means a computer program that is prepared, held or existing for general or repeated sale or lease, including a computer program developed for in-house use and subsequently sold or leased to unrelated third parties.

"Retail sale" or a "sale at retail" means a sale to any person for any purpose other than for resale in the form of tangible personal property or services taxable under this chapter, and shall include any such transaction as the Tax Commissioner upon investigation finds to be in lieu of a sale. All sales for resale must be made in strict compliance with regulations applicable to this chapter. Any dealer making a sale for resale which is not in strict compliance with such regulations shall be personally liable for payment of the tax.

The terms "retail sale" and a "sale at retail" shall specifically include the following: (i) the sale or charges for any room or rooms, lodgings, or accommodations furnished to transients for less than ninety continuous days by any hotel, motel, inn, tourist camp, tourist cabin, camping grounds, club, or any other place in which rooms, lodging, space, or accommodations are regularly furnished to transients for a consideration; and (ii) sales of tangible personal property to persons for resale when because of the operation of the business, or its very nature, or the lack of a place of business in which to display a certificate of registration, or the lack of a place of business in which to keep records, or the lack of adequate records, or because such persons are minors or transients, or because such persons are engaged in essentially service businesses, or for any other reason there is likelihood that the Commonwealth will lose tax funds due to the difficulty of policing such business operations. The Tax Commissioner is authorized to promulgate regulations requiring vendors of or sellers to such persons to collect the tax imposed by this chapter on the cost price of such tangible personal property to such persons and may refuse to issue certificates of registration to such persons.

The term "transient" shall not include a purchaser of camping memberships, time-shares, condominiums, or other similar contracts or interests that permit the use of, or constitute an interest in, real estate, however created or sold and whether registered with this Commonwealth or not. Further, a purchaser of a right or license which entitles the purchaser to use the amenities and facilities of a specific real estate project on an ongoing basis throughout its term shall not be deemed a transient; provided, however, that the term or time period involved is for seven years or more.

The terms "retail sale" and "sale at retail" shall not include a transfer of title to tangible personal property after its use as tools, tooling, machinery or equipment, including dies, molds, and patterns, if (i) at the time of purchase, the purchaser is obligated, under the terms of a written contract, to make the

183 transfer and (ii) the transfer is made for the same or a greater consideration to the person for whom the  
184 purchaser manufactures goods.

185 "Retailer" means every person engaged in the business of making sales at retail, or for distribution,  
186 use, consumption, or storage to be used or consumed in this Commonwealth.

187 "Sale" means any transfer of title or possession, or both, exchange, barter, lease or rental, conditional  
188 or otherwise, in any manner or by any means whatsoever, of tangible personal property and any  
189 rendition of a taxable service for a consideration, and includes the fabrication of tangible personal  
190 property for consumers who furnish, either directly or indirectly, the materials used in fabrication, and  
191 the furnishing, preparing, or serving for a consideration of any tangible personal property consumed on  
192 the premises of the person furnishing, preparing, or serving such tangible personal property. A  
193 transaction whereby the possession of property is transferred but the seller retains title as security for the  
194 payment of the price shall be deemed a sale.

195 "Sales price" means the total amount for which tangible personal property or services are sold,  
196 including any services that are a part of the sale, valued in money, whether paid in money or otherwise,  
197 and includes any amount for which credit is given to the purchaser, consumer, or lessee by the dealer,  
198 without any deduction therefrom on account of the cost of the property sold, the cost of materials used,  
199 labor or service costs, losses or any other expenses whatsoever. "Sales price" shall not include (i) any  
200 cash discount allowed and taken (ii) finance charges, carrying charges, service charges or interest from  
201 credit extended on sales of tangible personal property under conditional sale contracts or other  
202 conditional contracts providing for deferred payments of the purchase price, or (iii) separately stated  
203 local property taxes collected. Where used articles are taken in trade, or in a series of trades as a credit  
204 or part payment on the sale of new or used articles, the tax levied by this chapter shall be paid on the  
205 net difference between the sales price of the new or used articles and the credit for the used articles.

206 "Storage" means any keeping or retention of tangible personal property for use, consumption or  
207 distribution in this Commonwealth, or for any purpose other than sale at retail in the regular course of  
208 business.

209 "Tangible personal property" means personal property which may be seen, weighed, measured, felt,  
210 or touched, or is in any other manner perceptible to the senses. The term "tangible personal property"  
211 shall not include stocks, bonds, notes, insurance or other obligations or securities.

212 "Use" means the exercise of any right or power over tangible personal property incident to the  
213 ownership thereof, except that it does not include the sale at retail of that property in the regular course  
214 of business. The term does not include the exercise of any right or power, including use, distribution, or  
215 storage, over any tangible personal property sold to a nonresident donor for delivery outside of the  
216 Commonwealth to a nonresident recipient pursuant to an order placed by the donor from outside the  
217 Commonwealth via mail or telephone.

218 "Use tax" refers to the tax imposed upon the use, consumption, distribution, and storage as herein  
219 defined.

220 "Used directly," when used in relation to manufacturing, processing, refining, or conversion, refers to  
221 those activities which are an integral part of the production of a product, including all steps of an  
222 integrated manufacturing or mining process, but not including ancillary activities such as general  
223 maintenance or administration. When used in relation to mining, it shall refer to the activities specified  
224 above, and in addition, any reclamation activity of the land previously mined by the mining company  
225 required by state or federal law.

226 "Video programmer" means a person or entity that provides video programming to end-user  
227 subscribers.

228 "Video programming" means video and/or information programming provided by or generally  
229 considered comparable to programming provided by a cable operator including, but not limited to,  
230 Internet service.

231 *§ 58.1-604.4. One-half of one percent sales tax in certain counties and cities.*

232 *A. Beginning July 1, 2003, a tax of one-half of one percent is hereby levied and imposed on the*  
233 *property, activities and services described in § 58.1-603 in all counties and cities that were part of a*  
234 *planning district, established pursuant to § 15.2-4203, whose entire planning district geographic*  
235 *boundaries were, as of January 1, 2002, designated as nonattainment for the one-hour ozone standard*  
236 *pursuant to the federal Clean Air Act Amendments of 1990.*

237 *B. Beginning July 1, 2003, a tax of one-half of one percent is hereby levied and imposed on the*  
238 *property, activities and services described in § 58.1-604 in all counties and cities that were part of a*  
239 *planning district, established pursuant to § 15.2-4203, whose entire planning district geographic*  
240 *boundaries were, as of January 1, 2002, designated as nonattainment for the one-hour ozone standard*  
241 *pursuant to the federal Clean Air Act Amendments of 1990.*

242 *C. The taxes under this section shall be subject to all the provisions of this chapter and the rules*  
243 *and regulations published with respect thereto. No discount under § 58.1-622 shall be allowed on any*  
244 *tax provided under this section.*

D. All taxes paid to the Tax Commissioner pursuant to this section, less the applicable portion of any refunds to taxpayers, shall be deposited in a special fund titled the "Special Fund Account of the Northern Virginia Transportation Authority." The moneys deposited in the special fund shall be distributed monthly to the Northern Virginia Transportation Authority to be used for funding of the Northern Virginia Regional Transportation Program as created under the Northern Virginia Regional Transportation Program Bond Act of 2002.

§ 58.1-605. To what extent and under what conditions cities and counties may levy local sales taxes; collection thereof by Commonwealth and return of revenue to each city or county entitled thereto.

A. No county, city or town shall impose any local general sales or use tax or any local general retail sales or use tax except as authorized by this section.

B. The council of any city and the governing body of any county may levy a general retail sales tax at the rate of one percent to provide revenue for the general fund of such city or county. Such tax shall be added to the rate of the state sales tax imposed by §§ 58.1-603 and 58.1-604 and shall be subject to all the provisions of this chapter and the rules and regulations published with respect thereto. The applicable brackets of prices shall be as prescribed in § 58.1-628 by the Tax Commissioner for the combined state and local tax. No discount under § 58.1-622 shall be allowed on a local sales tax.

C. The council of any city and the governing body of any county desiring to impose a local sales tax under this section may do so by the adoption of an ordinance stating its purpose and referring to this section, and providing that such ordinance shall be effective on the first day of a month at least sixty days after its adoption. A certified copy of such ordinance shall be forwarded to the Tax Commissioner so that it will be received within five days after its adoption.

D. Any local sales tax levied under this section shall be administered and collected by the Tax Commissioner in the same manner and subject to the same penalties as provided for the state sales tax, with the adjustments required by § 58.1-628 § 58.1-628.1.

E. All local sales tax moneys collected by the Tax Commissioner under this section shall be paid into the state treasury to the credit of a special fund which is hereby created on the Comptroller's books under the name "Collections of Local Sales Taxes." Such local sales tax moneys shall be credited to the account of each particular city or county levying a local sales tax under this section. The basis of such credit shall be the city or county in which the sales were made as shown by the records of the Department and certified by it monthly to the Comptroller, namely, the city or county of location of each place of business of every dealer paying the tax to the Commonwealth without regard to the city or county of possible use by the purchasers. If a dealer has any place of business located in more than one political subdivision by reason of the boundary line or lines passing through such place of business, the amount of sales tax paid by such a dealer with respect to such place of business shall be treated for the purposes of this section as follows: one-half shall be assignable to each political subdivision where two are involved, one-third where three are involved, and one-fourth where four are involved.

F. As soon as practicable after the local sales tax moneys have been paid into the state treasury in any month for the preceding month, the Comptroller shall draw his warrant on the Treasurer of Virginia in the proper amount in favor of each city or county entitled to the monthly return of its local sales tax moneys, and such payments shall be charged to the account of each such city or county under the special fund created by this section. If errors are made in any such payment, or adjustments are otherwise necessary, whether attributable to refunds to taxpayers, or to some other fact, the errors shall be corrected and adjustments made in the payments for the next six months as follows: one-sixth of the total adjustment shall be included in the payments for the next six months. In addition, the payment shall include a refund of amounts erroneously not paid to the city or county and not previously refunded during the three years preceding the discovery of the error. A correction and adjustment in payments described in this subsection due to the misallocation of funds by the dealer shall be made within three years of the date of the payment error.

G. Such payments to counties are subject to the qualification that in any county wherein is situated any incorporated town constituting a special school district and operated as a separate school district under a town school board of three members appointed by the town council, the county treasurer shall pay into the town treasury for general governmental purposes the proper proportionate amount received by him in the ratio that the school age population of such town bears to the school age population of the entire county. If the school age population of any town constituting a separate school district is increased by the annexation of territory since the last preceding school age population census, such increase shall, for the purposes of this section, be added to the school age population of such town as shown by the last such census and a proper reduction made in the school age population of the county or counties from which the annexed territory was acquired.

H. One-half of such payments to counties are subject to the further qualification, other than as set out in subsection G above, that in any county wherein is situated any incorporated town not constituting a separate special school district which has complied with its charter provisions providing for the

election of its council and mayor for a period of at least four years immediately prior to the adoption of the sales tax ordinance, the county treasurer shall pay into the town treasury of each such town for general governmental purposes the proper proportionate amount received by him in the ratio that the school age population of each such town bears to the school age population of the entire county, based on the latest statewide school census. The preceding requirement pertaining to the time interval between compliance with election provisions and adoption of the sales tax ordinance shall not apply to a tier-city. If the school age population of any such town not constituting a separate special school district is increased by the annexation of territory or otherwise since the last preceding school age population census, such increase shall, for the purposes of this section, be added to the school age population of such town as shown by the last such census and a proper reduction made in the school age population of the county or counties from which the annexed territory was acquired.

I. Notwithstanding the provisions of subsection H, the board of supervisors of a county may, in its discretion, appropriate funds to any incorporated town not constituting a separate school district within such county which has not complied with the provisions of its charter relating to the elections of its council and mayor, an amount not to exceed the amount it would have received from the tax imposed by this chapter if such election had been held.

J. It is further provided that if any incorporated town which would otherwise be eligible to receive funds from the county treasurer under subsection G or H of this section be located in a county which does not levy a general retail sales tax under the provisions of this law, such town may levy a general retail sales tax at the rate of one percent to provide revenue for the general fund of the town, subject to all the provisions of this section generally applicable to cities and counties. Any tax levied under the authority of this subsection shall in no case continue to be levied on or after the effective date of a county ordinance imposing a general retail sales tax in the county within which such town is located.

§ 58.1-606. To what extent and under what conditions cities and counties may levy local use tax; collection thereof by Commonwealth and return of revenues to the cities and counties.

A. The council of any city and the governing body of any county which has levied or may hereafter levy a city or county sales tax under § 58.1-605 may levy a city or county use tax at the rate of one percent to provide revenue for the general fund of such city or county. Such tax shall be added to the rate of the state use tax imposed by this chapter and shall be subject to all the provisions of this chapter, and all amendments thereof, and the rules and regulations published with respect thereto, except that the applicable brackets of prices shall be as prescribed in ~~§ 58.1-628~~ by the Tax Commissioner for the combined state and local tax, and except that no discount under § 58.1-622 shall be allowed on a local use tax.

B. The council of any city and the governing body of any county desiring to impose a local use tax under this section may do so in the manner following:

1. If the city or county has previously imposed the local sales tax authorized by § 58.1-605, the local use tax may be imposed by the council or governing body by the adoption of a resolution by a majority of all the members thereof, by a recorded yea and nay vote, stating its purpose and referring to this section, and providing that the local use tax shall become effective on the first day of a month at least sixty days after the adoption of the resolution. A certified copy of such resolution shall be forwarded to the Tax Commissioner so that it will be received within five days after its adoption. The resolution authorized by this paragraph may be adopted in the manner stated notwithstanding any other provision of law, including any charter provision.

2. If the city or county has not imposed the local sales tax authorized by § 58.1-605, the local use tax may be imposed by ordinance together with the local sales tax in the manner set out in subsections B and C of § 58.1-605.

C. Any local use tax levied under this section shall be administered and collected by the Tax Commissioner in the same manner and subject to the same penalties as provided for the state use tax, with the adjustments required by ~~§ 58.1-628~~ § 58.1-628.1.

D. The local use tax authorized by this section shall not apply to transactions to which the sales tax applies, the situs of which for state and local sales tax purposes is the city or county of location of each place of business of every dealer paying the tax to the Commonwealth without regard to the city or county of possible use by the purchasers. However, the local use tax authorized by this section shall apply to tangible personal property purchased without this Commonwealth for use or consumption within the city or county imposing the local use tax, or stored within the city or county for use or consumption, where the property would have been subject to the sales tax if it had been purchased within this Commonwealth. The local use tax shall also apply to leases or rentals of tangible personal property where the place of business of the lessor is without this Commonwealth and such leases or rentals are subject to the state tax. Moreover, the local use tax shall apply in all cases in which the state use tax applies.

E. Out-of-state dealers who hold certificates of registration to collect the use tax from their customers for remittance to this Commonwealth shall, to the extent reasonably practicable, in filing their monthly

use tax returns with the Tax Commissioner, break down their shipments into this Commonwealth by cities and counties so as to show the city or county of destination. If, however, the out-of-state dealer is unable accurately to assign any shipment to a particular city or county, the local use tax on the tangible personal property involved shall be remitted to the Commonwealth by such dealer without attempting to assign the shipment to any city or county.

F. Local use tax revenue shall be distributed among the cities and counties for which it is collected, respectively, as shown by the records of the Department, and the procedure shall be the same as that prescribed for distribution of local sales tax revenue under § 58.1-605. The local use tax revenue that is not accurately assignable to a particular city or county shall be distributed monthly by the appropriate state authorities among the cities and counties in this Commonwealth imposing the local use tax upon the basis of taxable retail sales in the respective cities and counties in which the local sales and use tax was in effect in the taxable month involved, as shown by the records of the Department, and computed with respect to taxable retail sales as reflected by the amounts of the local sales tax revenue distributed among such cities and counties, respectively, in the month of distribution. Notwithstanding any other provision of this section, the Tax Commissioner shall develop a uniform method to distribute local use tax. Any significant changes to the method of local use tax distribution shall be phased in over a ~~five~~ *five-year* period. Distribution information shall be shared with the affected localities prior to implementation of the changes.

G. All local use tax revenue shall be used, applied or disbursed by the cities and counties as provided in § 58.1-605 with respect to local sales tax revenue.

§ 58.1-611.1. Rate of tax on sales of food purchased for human consumption; Food Tax Reduction Program.

A. Subject to the conditions of subsections D and E, the tax imposed by §§ 58.1-603 and 58.1-604 on food purchased for human consumption shall be levied and distributed as follows:

1. From January 1, 2000, through March 31, 2001, the tax rate on such food shall be three percent of the gross sales price. The revenue from the tax shall be distributed as follows: (i) the revenue from the tax at the rate of one-half percent shall be distributed as provided in subsection A of § 58.1-638, (ii) the revenue from the tax at the rate of one percent shall be distributed as provided in subsections B, C and D of § 58.1-638, and (iii) the revenue from the tax at the rate of one and one-half percent shall be used for general fund purposes.

2. From April 1, 2001, through March 31, 2002, the tax rate on such food shall be two and one-half percent of the gross sales price. The revenue from the tax shall be distributed as follows: (i) the revenue from the tax at the rate of one-half percent shall be distributed as provided in subsection A of § 58.1-638, (ii) the revenue from the tax at the rate of one percent shall be distributed as provided in subsections B, C and D of § 58.1-638, and (iii) the revenue from the tax at the rate of one percent shall be used for general fund purposes.

3. From April 1, 2002, through March 31, 2003, the tax rate on such food shall be two percent of the gross sales price. The revenue from the tax shall be distributed as follows: (i) the revenue from the tax at the rate of one-half percent shall be distributed as provided in subsection A of § 58.1-638, (ii) the revenue from the tax at the rate of one percent shall be distributed as provided in subsections B, C and D of § 58.1-638, and (iii) the revenue from the tax at the rate of one-half percent shall be used for general fund purposes.

4. On and after April 1, 2003, the tax rate on such food shall be one and one-half percent of the gross sales price. The revenue from the tax shall be distributed as follows: (i) the revenue from the tax at the rate of one-half percent shall be distributed as provided in subsection A of § 58.1-638 and (ii) the revenue from the tax at the rate of one percent shall be distributed as provided in subsections B, C and D of § 58.1-638.

B. The provisions of this section shall not affect the imposition of tax on food purchased for human consumption pursuant to §§ 58.1-605 and 58.1-606.

C. As used in this section, "food purchased for human consumption" has the same meaning as "food" defined in the Food Stamp Act of 1977, 7 U.S.C. § 2012, as amended, and federal regulations adopted pursuant to that Act, except it shall not include seeds and plants which produce food for human consumption.

D. Notwithstanding the tax rates set forth in subsection A, the rate of tax on sales of food purchased for human consumption for any twelve-month period beginning on or after April 1, 2001, shall not be reduced below the rate then in effect for the Commonwealth's current fiscal year if:

1. Actual general fund revenues for the fiscal year preceding a fiscal year in which a rate reduction is contemplated in subsection A do not exceed the official general fund revenue estimates for such preceding fiscal year, as estimated in the most recently enacted and approved general appropriation act, by at least one percent; or

2. Any of the events listed in subsection C of § 58.1-3524 or subsection B of § 58.1-3536 have

429 occurred during the then current fiscal year.

430 E. If the tax rate on food purchased for human consumption remains the same for the period January  
431 1, 2000, through March 31, 2001, and the subsequent twelve-month period beginning on April 1, 2001,  
432 or with respect to any consecutive twelve-month periods beginning on and after April 1, 2001, the tax  
433 rate on such food shall remain the same unless none of the conditions described in subsection D have  
434 occurred, in which event the tax rate on food purchased for human consumption for the immediately  
435 following twelve-month period shall be equal to the next lowest tax rate listed in subsection A.

436 F. There is hereby created on the books of the Comptroller a nonreverting fund entitled the Food  
437 Tax Reserve Fund which shall be used solely for the statutory purposes of the Food Tax Reduction  
438 Program as established by this section, and as may be provided for in the general appropriation act. For  
439 the purpose of the Comptroller's preliminary and final annual reports required by § 2.1-207, all balances  
440 remaining in the Fund on June 30 of each year shall be considered a portion of the fund balance of the  
441 general fund of the state treasury.

442 G. *The taxes imposed pursuant to § 58.1-604.4 shall not apply to food purchased for human*  
443 *consumption.*

444 § 58.1-614. Vending machine sales.

445 A. ~~Notwithstanding the provisions of §§ 58.1-603 and 58.1-604, whenever~~ *For all taxes pursuant to*  
446 *this chapter, whenever* a dealer makes sales of tangible personal property through vending machines, or  
447 in any other manner making collection of the tax impractical, as determined by the Tax Commissioner,  
448 such dealer shall be required to report his wholesale purchases for sale at retail from vending machines  
449 and shall be required to remit an amount ~~based on four and one-half percent of such wholesale~~  
450 ~~purchases equal to such wholesale purchases multiplied by the sales and use tax rate applicable~~  
451 ~~pursuant to this chapter.~~

452 B. ~~Notwithstanding the provisions of §§ 58.1-605 and 58.1-606, dealers making sales of tangible~~  
453 ~~personal property through vending machines shall report and remit the one percent local sales and use~~  
454 ~~tax computed as provided in subsection A of this section.~~

455 CB. The provisions of ~~subsections A and B of this section~~ *subsection A* shall not be applicable to  
456 vending machine operators all of whose machines are under contract to nonprofit organizations. Such  
457 operators shall report only the gross receipts from machines selling items for more than ten cents and  
458 shall be required to remit an amount based on a percentage of their remaining gross sales established by  
459 the Tax Commissioner to take into account the inclusion of sales tax.

460 DC. ~~Notwithstanding any other provisions in this section or § 58.1-628, when~~ *When* the Tax  
461 Commissioner determines that it is impractical to collect the tax in the manner provided by ~~those~~  
462 ~~sections subsection A or subsection B~~, such dealer shall be required to remit an amount based on a  
463 percentage of gross receipts which takes into account the inclusion of the sales tax.

464 ED. The provisions of this section shall not be applicable to any dealer who fails to maintain records  
465 satisfactory to the Tax Commissioner. A dealer making sales of tangible personal property through  
466 vending machines shall obtain a certificate of registration under § 58.1-613 in relevant form for each  
467 county or city in which he has machines.

468 § 58.1-626. Absorption of tax prohibited.

469 No person shall advertise or hold out to the public, directly or indirectly, that he will absorb all or  
470 any part of the sales or use tax, or that he will relieve the purchaser, consumer, or lessee of the payment  
471 of all or any part of such tax, except as may be authorized under ~~§ 58.1-627 or § 58.1-628~~ § 58.1-628.1.  
472 Any person who violates this section shall be guilty of a Class 2 misdemeanor.

473 § 58.1-628.1. *Adjustment to the rate of tax imposed under this chapter.*

474 *If a dealer can show to the satisfaction of the Tax Commissioner that more than eighty-five percent*  
475 *of the total dollar volume of his gross taxable sales during the taxable month was from individual sales*  
476 *at prices of ten cents or less each and that he was unable to adjust his prices in such manner as to*  
477 *prevent the economic incidence of the sales tax from falling on him, the Tax Commissioner shall*  
478 *determine the proper tax liability of the dealer based on that portion of the dealer's gross taxable sales*  
479 *that was from sales at prices of eleven cents or more.*

480 § 58.1-3833. County food and beverage tax.

481 A. Any county is hereby authorized to levy a tax on food and beverages sold, for human  
482 consumption, by a restaurant, as such term is defined in subdivision 9 of § 35.1-1, not to exceed ~~eight~~  
483 ~~and one-half percent, when added to the state and local general sales and use tax,~~ *four percent* of the  
484 amount charged for such food and beverages. Such tax shall not be levied on food and beverages sold  
485 through vending machines or by any person described in subdivisions 1, 2, 3, and 5 of § 35.1-25, as  
486 well as nonprofit cafeterias in public schools, nursing homes, and hospitals. Grocery stores and  
487 convenience stores selling prepared foods ready for human consumption at a delicatessen counter shall  
488 be subject to the tax, for that portion of the grocery store or convenience store selling such items.

489 This tax shall be levied only if the tax is approved in a referendum within the county which shall be  
490 held in accordance with § 24.2-684 and initiated either by a resolution of the board of supervisors or on



the filing of a petition signed by a number of registered voters of the county equal in number to ten percent of the number of voters registered in the county, as appropriate on January 1 of the year in which the petition is filed with the court of such county. The clerk of the circuit court shall publish notice of the election in a newspaper of general circulation in the county once a week for three consecutive weeks prior to the election. If the voters affirm the levy of a local meals tax, the tax shall be effective in an amount and on such terms as the governing body may by ordinance prescribe. If such resolution of the board of supervisors or such petition states for what projects and/or purposes the revenues collected from the tax are to be used, then the question on the ballot for the referendum shall include language stating for what projects and/or purposes the revenues collected from the tax are to be used.

The term "beverage" as set forth herein shall mean alcoholic beverages as defined in § 4.1-100 and nonalcoholic beverages served as part of a meal. The tax shall be in addition to the sales tax currently imposed by the county pursuant to the authority of Chapter 6 (§ 58.1-600 et seq.) of this title. Collection of such tax shall be in a manner prescribed by the governing body.

B. Notwithstanding the provisions of subsection A of this section, any county with a population of at least 70,000 but no more than 100,000, any county with a population of at least 17,910 but no more than 18,000, any county with a population of at least 34,000 but no more than 34,400, and any county having a county manager plan of government are hereby authorized to levy a tax on food and beverages sold for human consumption by a restaurant, as such term is defined in § 35.1-1 and as modified in subsection A above and subject to the same exemptions, not to exceed four percent of the amount charged for such food and beverages, provided that the governing body of the respective county holds a public hearing before adopting a local food and beverage tax, and the governing body by unanimous vote adopts such tax by local ordinance. The tax shall be effective in an amount and on such terms as the governing body may by ordinance prescribe.

C. Nothing herein contained shall affect any authority heretofore granted to any county, city or town to levy a meals tax. The county tax limitations imposed pursuant to § 58.1-3711 shall apply to any tax levied under this section, mutatis mutandis. All food and beverage tax collections and all meals tax collections shall be deemed to be held in trust for the county, city or town imposing the applicable tax.

D. No county which has heretofore adopted an ordinance pursuant to subsection A of this section shall be required to submit an amendment to its meals tax ordinance to the voters in a referendum.

E. Notwithstanding any other provision of this section, no locality shall levy any tax under this section upon alcoholic beverages sold in factory sealed containers and purchased for off-premises consumption or food purchased for human consumption as "food" is defined in the Food Stamp Act of 1977, 7 U.S.C. § 2012, as amended, and federal regulations adopted pursuant to that act, except for the following items: sandwiches, salad bar items sold from a salad bar, prepackaged single-serving salads consisting primarily of an assortment of vegetables, and nonfactory sealed beverages.

**2. That the following is the Northern Virginia Regional Transportation Program Bond Act of 2002.**

*§ 1. Title. This act shall be known and may be cited as the "Northern Virginia Regional Transportation Program Bond Act of 2002."*

*§ 2. For purposes of this act, the following definitions shall apply:*

*"Authority" means the Northern Virginia Transportation Authority as created under the Code of Virginia.*

*"Program" means the Northern Virginia Regional Transportation Program.*

*"Project" or "Projects" means a transportation project or projects included in the Program.*

*§ 3. The Program shall consist of the following Projects: Dulles Corridor Transit (locality share), I-66 Improvements and Rail Extension, I-95/I-395 Improvements and Transit Improvements, Route 1 Improvements, Route 28 Improvements, I-495 Improvements and Transit Improvements, Fairfax County Parkway, Tri-County/Loudoun Parkway, VRE New Railcar Purchase, Route 234 Bypass/Route 659 Relocated, Metrorail Infrastructure Replacement Program, Secondary System Improvements (including unopened roads), Urban System Improvements, Route 7 Improvements Fairfax, Route 7 Improvements Loudoun, Regional Transit Capital, Route 50/Columbia Pike Improvements, Columbia Pike/Route 7 Transit Improvements, and Rail Safety Improvements.*

*§ 4. The Authority is hereby authorized to issue at one time or from time to time bonds in an aggregate principal amount not exceeding \$2,460,000,000 to finance the costs of the Projects plus an amount for the issuance costs, capitalized interest, reserve funds, and other financing expenses (the "Bonds"). The proceeds of the Bonds shall be used exclusively for the purpose of providing funds, with any other available funds, for paying the costs incurred or to be incurred for construction or funding of the Projects that comprise the Program, consisting of environmental and engineering studies, rights-of-way acquisition, improvements to all modes of transportation, acquisition, construction and related improvements. Such costs may include the payment of interest on the Bonds for a period during*

552 construction and not exceeding one year after completion of construction of the Projects.

553 § 5. The Projects, and the amount of bonds authorized to be issued for each such Project, are as  
554 follows and constitute the Northern Virginia Regional Transportation Program:

555 Projects	Bond amount
556	
557 Dulles Corridor Transit (locality share)	\$300,000,000
558	
559 I-66 Improvements and Rail Extension	\$300,000,000
560	
561 I-95/I-395 Improvements and Transit	
562	
563 Improvements	\$300,000,000
564	
565 Route 1 Improvements	\$150,000,000
566	
567 Route 28 Improvements	\$50,000,000
568	
569 I-495 Improvements and Transit Improvements	\$200,000,000
570	
571 Fairfax County Parkway	\$150,000,000
572	
573 Tri-County/Loudoun Parkway	\$100,000,000
574	
575 VRE New Railcar Purchase	\$50,000,000
576	
577 Route 234 Bypass/Route 659 Relocated	\$50,000,000
578	
579 Metrorail Infrastructure Replacement Program	\$200,000,000
580	
581 Secondary System Improvements (including	
582	
583 unpaved roads)	\$150,000,000
584	
585 Urban System Improvements	\$90,000,000
586	
587 Route 7 Improvements Fairfax	\$75,000,000
588	
589 Route 7 Improvements Loudoun	\$75,000,000
590	
591 Regional Transit Capital	\$100,000,000
592	
593 Route 50/Columbia Pike Improvements	\$25,000,000
594	
595 Columbia Pike/Route 7 Transit Improvements	\$75,000,000
596	
597 Rail Safety Improvements	\$20,000,000
598	
599 Total	\$2,460,000,000
600	

601 The Authority shall take such steps as are necessary for the Projects and Program to be constructed,  
602 subject to it having sufficient funds to pay the costs for the construction of a Project or Projects, or any  
603 part thereof, as such costs become due and payable. The Authority shall have the power to construct or  
604 provide by contract for the construction of any Project or Projects and the Program, including the  
605 power to purchase real and personal property for purposes of constructing and implementing the  
606 Program.

607 Bond proceeds for Secondary System Improvements (including unpaved roads) shall be allocated to  
608 those localities described in § 15.2-4819 of the Code of Virginia that receive allocations of funds (i)  
609 pursuant to § 33.1-23.03:5 of the Code of Virginia or (ii) for secondary system highways pursuant to

§ 33.1-23.4 of the Code of Virginia, and such bond proceeds shall be allocated pursuant to § 33.1-23.4 of the Code of Virginia. Bond proceeds allocated for Urban System Improvements shall be allocated pursuant to § 33.1-23.3 of the Code of Virginia to those localities described in § 15.2-4819 of the Code of Virginia, and the towns therein, that receive allocations of funds pursuant to § 33.1-23.3 of the Code of Virginia.

To the extent that the moneys deposited to the Special Fund Account of the Northern Virginia Transportation Authority pursuant to subsection D of § 58.1-604.4 of the Code of Virginia exceed the amount needed to pay annual debt service on bonds issued to support the Program Projects in any particular fiscal year, plus the amount needed in the fiscal year to pay all other costs to administer all debts or obligations issued pursuant to this act, the Authority shall allocate such funds subject to the following conditions: (i) first, up to fifteen percent of such funds shall be allocated to transit operational costs; (ii) then, any remaining funds shall be allocated to Program Projects provided that the Authority determines such allocations will materially advance the construction of such Program Projects; and (iii) finally, any remaining portion of such funds shall be allocated to fund other transit, primary, urban, or secondary projects in the counties and cities described in subsections A and B of § 58.1-604.4.

§ 6. The Authority is hereby authorized to borrow money at such rate or rates through the execution and issuance of notes for the same (hereinafter "anticipation notes" or "BANs"), but only in the following circumstances and under the following conditions:

a. In anticipation of the sale of the Bonds the issuance of which shall have been authorized and approved by the Authority, if the Authority shall deem it advisable to postpone the issuance of such Bonds; or

b. For the renewal of any anticipation notes (BANs) herein authorized.

§ 7. Application of Proceeds. Proceeds (including any premium) of the Bonds and any BANs (except the proceeds of (i) Bonds the issuance of which has been anticipated by BANs, (ii) refunding bonds and (iii) refunding BANs) shall be deposited in a special capital outlay fund of the Authority and shall be disbursed only for the purpose for which the Bonds or any BANs have been issued. The proceeds of (a) Bonds the issuance of which has been anticipated by BANs, (b) refunding bonds and (c) refunding BANs and any funds provided by the General Assembly, or available from any other source, for the purpose, shall be used to pay such BANs, refunded bonds and refunded BANs.

§ 8. The Authority is hereby authorized to receive any other funds that may be made available to pay costs of the projects and to make available the same to the payment of the principal or purchase price of, and redemption premium, if any, and interest on, the Bonds authorized hereby.

§ 9. The terms and structure of each issue of the Bonds shall be determined by the Authority. The Bonds of each issue shall be dated, shall be issued in a principal amount (subject to the limitation as to the aggregate principal amount set forth in § 4), shall bear interest at such rate or rates, which may be fixed, adjustable, variable or a combination thereof, and may be determined by a formula or other method, shall mature at such time or times not exceeding thirty-five years after the issuance thereof, and may be made subject to purchase or redemption before their maturity or maturities, at such price or prices and under such terms and conditions, all as may be determined by the Authority. The Authority shall determine the form of the Bonds, whether the Bonds are certificated or uncertificated, and fix the authorized denomination or denominations of the Bonds and the place or places of payment of principal or purchase price of, and redemption premium, if any, and interest on, the Bonds, which may be at the office of the Authority or any bank or trust company within or without the Commonwealth. The principal or purchase price of, and redemption premium, if any, and interest on, the Bonds shall be made payable in lawful money of the United States of America. Each issue of the Bonds may be issued under a system of book entry for recording the ownership and transfer of ownership of rights to receive payments of principal or purchase price of and redemption premium, if any, and interest on such Bonds. All the Bonds shall have and are hereby declared to have, as between successive holders, all the qualities and incidents of negotiable instruments under the negotiable instruments law of the Commonwealth.

The Authority may sell the Bonds from time to time at public or private sale, by competitive bidding, negotiated sale or private placement, for such price or prices as it may determine to be in the best interests of the Authority.

§ 10. The Bonds and BANs shall be signed on behalf of the Authority by the chairman or vice-chairman of the Authority, or shall bear the facsimile signature of such officer. In the event that the Bonds or BANs shall bear the facsimile signature of the chairman or vice-chairman of the Authority, they shall be signed by such administrative assistant as the chairman of the Authority shall determine or any registrar/paying agent that may be designated by the Authority. In case any officer whose signature or a facsimile of whose signature appears on any Bonds or BANs shall cease to be such officer before the delivery of such Bonds or BANs, such signature or facsimile signature nevertheless shall be valid and sufficient for all purposes, the same as if such officer had remained in office until such delivery.

671 § 11. *Refunding.* The Authority is hereby authorized to sell and issue, at one time or from time to  
672 time, refunding bonds and BANs, to refund any or all of the Bonds and BANs, respectively, issued under  
673 this act. Refunding bonds or BANs may be issued in a principal amount up to the amount necessary to  
674 pay at maturity or redeem the Bonds and BANs to be refunded and pay all issuance costs and other  
675 financing expenses of the refunding. Such refunding bonds and BANs may be issued whether or not the  
676 Bonds or BANs to be refunded are then subject to redemption.

677 § 12. *Authorized Investments.* Pending the application of the proceeds of the Bonds or BANs  
678 (including refunding bonds and BANs) to the purpose for which they have been authorized and the  
679 application of funds set aside for the purpose to the payment of Bonds or BANs, they may be invested  
680 by the Authority in legal investments under the laws of the Commonwealth for public funds and sinking  
681 funds, as the case may be. Whenever the Authority receives interest from the investment of the proceeds  
682 of Bonds or any BANs, such interest shall become a part of the principal of the Bonds or any BANs and  
683 shall be used in the same manner as required or permitted for principal of the Bonds or BANs.

684 § 13. The Bonds authorized under § 4 may be issued without obtaining the consent of any  
685 commission, office, department, board, council, bureau, agency or other persons or entities of the  
686 Commonwealth or of any political subdivision of the Commonwealth, and without any proceedings or  
687 the happening of conditions or things other than those proceedings, conditions or things that are  
688 specifically required under this act. The Authority may issue such types of Bonds as it may determine  
689 consistent with the provisions of §§ 4 and 5 of this act and subject to § 16 of this act, including, without  
690 limitation, Bonds payable as to principal and interest from any one or more of the following sources: (i)  
691 its revenues generally, including all amounts deposited into the Special Fund Account of the Northern  
692 Virginia Transportation Authority pursuant to § 58.1-604.4 of the Code of Virginia; (ii) proceeds from  
693 the sale of Bonds; (iii) payments under letters of credit, policies of bond insurance, guarantees or other  
694 credit enhancements; (iv) any reserve or sinking funds created to secure such payment; or (v) other  
695 available funds of the Authority.

696 § 14. *Security for Bonds and BANs.* The proceeds of (i) Bonds the issuance of which has been  
697 anticipated by BANs, (ii) refunding bonds and (iii) refunding BANs are hereby irrevocably pledged for  
698 the payment of principal of and interest and any premium on such BANs or Bonds or BANs to be  
699 refunded thereby.

700 Any Bond authorized under this act may be issued pursuant to or secured by a trust indenture or by  
701 a trust or other agreement with a corporate trustee, which may be any trust company or bank having  
702 the powers of a trust company within or without the Commonwealth, or other agent for bondholders, or  
703 any combination thereof. Any such trust indenture or other agreement may pledge or assign revenues,  
704 fees, rents and other charges to be received and may contain provisions for protecting and enforcing the  
705 rights and remedies of the bondholders as may be reasonable and proper and not in violation of law.  
706 Such provisions may include covenants: (i) providing for the application of revenues and sale by the  
707 Authority, or any trustees under any trust indenture or agreement, of any property upon default,  
708 provided that in no case may any Project be subject to such sale; (ii) setting forth duties of the  
709 Authority in relation to the acquisition, construction, maintenance, operation and insurance of any  
710 property of the Authority and the amounts of fees, rents and other charges to be charged, but such  
711 covenants may not provide fees, rents and other charges for use of any Project; (iii) providing for the  
712 collection of revenues, fees, rents and other charges, and the custody, safeguarding and application of  
713 all moneys of the Authority; (iv) providing for the creation of sinking funds and the creation and  
714 maintenance of reserves; and (v) setting forth conditions or limitations with respect to the incurrence of  
715 indebtedness or the granting of liens. Such trust indenture, trust or other agreement may set forth the  
716 rights and remedies of the bondholders and of the trustee or other agent for bondholders and may  
717 restrict the individual right of action by bondholders.

718 In addition, the Authority may grant security interests and other liens on its property, including its  
719 accounts receivable, to secure Bonds. All pledges of revenues of the Authority for payment of bonds  
720 shall be valid and binding from the time when the pledge is made, and the revenues pledged and  
721 thereafter received by the Authority shall be subject immediately to the lien of such pledge without any  
722 physical delivery thereof or further act, and the lien of any such pledge shall be valid and binding as  
723 against all parties having claims of any kind in tort, contract or otherwise against the Authority,  
724 irrespective of whether such parties have notice thereof. The Authority may also provide for the filing of  
725 any security interest or other lien, or any financing statement or other instrument, necessary or  
726 desirable to create, perfect or evidence any lien created pursuant to this act.

727 It shall be lawful for any bank or trust company within or without the Commonwealth to serve as  
728 depository of the proceeds of Bonds or of other revenues of the Authority and to furnish indemnifying  
729 bonds or to pledge such securities as may be required by the Authority.

730 § 15. Except to the extent that the rights herein given may be restricted by such trust indenture or  
731 trust or other agreement, any holder of Bonds or coupons authorized under this act and the trustee or  
732 other agent for bondholders under any trust indenture or trust or other agreement may, either at law or

in equity, by suit, action, injunction, mandamus or other proceedings, protect and enforce any and all rights under the laws of the Commonwealth or granted under this act or under such trust indenture, trust or other agreement, and may enforce and compel the performance of all duties required under this act or by such trust indenture, trust or other agreement, with respect to such Bonds or coupons, to be performed by the Authority or by any officer or agent thereof, including the fixing, charging and collecting of revenues, fees, rents and other charges.

§ 16. No member, officer, employee or agent of the Authority or any person executing Bonds of the Authority authorized under this act shall be liable personally on the Bonds by reason of their issuance or execution. Bonds of the Authority authorized under this act shall not be a debt or pledge of the full faith and credit of the Commonwealth or any political subdivision thereof other than the Authority and shall so state on their face. Neither the Commonwealth nor any political subdivision thereof other than the Authority shall be obligated to pledge taxing power or appropriate or otherwise be liable for payment of such Bonds of the Authority, nor shall such Bonds be payable out of any funds or properties of the Commonwealth or any political subdivision thereof other than those of the Authority. Bonds of the Authority authorized under this act are declared to be issued for an essential public and governmental purpose.

§ 17. Expenses. All expenses incurred under this act in connection with issuance of the Bonds shall be paid from the proceeds of such Bonds, or any refunding bonds or BANs, or from any other available funds as the Authority may determine.

§ 18. Bonds issued by the Authority under the provisions of this act are hereby made securities in which all public officers and public bodies of the Commonwealth and its political subdivisions, all insurance companies and associations, all national banks and trust companies, and savings institutions, including savings and loan associations, in the Commonwealth, and all executors, administrators, trustees and other fiduciaries, both individual or corporate, may properly and legally invest funds within their control. Such Bonds are hereby made securities that may properly and legally be deposited with and received by any state or municipal officer or any agency or political subdivision of the Commonwealth for any purpose for which the deposit of Bonds or obligations is now or may hereafter be authorized by law.

§ 19. Exemption of interest from tax. The Bonds and BANs issued under the provisions of this act, their transfer, and the income therefrom, including any profit made on the sale thereof, shall at all times be exempt from taxation by the Commonwealth and by any political subdivision thereof.

§ 20. If any part of this act or the application thereof to any person or circumstance is held invalid by a court of competent jurisdiction, such holding shall not affect the validity of the remainder of the provisions or applications of the act, which can be given effect without the invalid provision or application, and to this end the provisions of this act are severable.

**3. That it shall be the duty of the regular election officers of the counties and cities described in subsections A and B of § 58.1-604.4 conducting the election directed by law to be held on Tuesday, November 5, 2002, at the places appointed for holding the same, to open a poll on such day and take the sense of the qualified voters of such counties and cities upon the ratification or rejection of a one-half of one percent sales and use tax pursuant to subsections A and B of § 58.1-604.4. Notice of the referendum shall be given, the ballots shall be prepared, distributed and voted, and the results thereof ascertained and certified, in accordance with Title 24.2 of the Code of Virginia, relating to special elections.**

**The ballot shall contain the following question:**

**"QUESTION: Shall an additional sales and use tax of one-half of one percent be imposed in Arlington County, Fairfax County, Loudoun County, Prince William County, the City of Alexandria, the City of Fairfax, the City of Falls Church, the City of Manassas, and the City of Manassas Park beginning July 1, 2003, pursuant to subsections A and B of § 58.1-604.4 of the Code of Virginia, with the revenues to be used solely for regional transportation projects and programs as specified in Chapter ( . . . ) of the Acts of Assembly of 2002?"**

**The State Board of Elections shall cause to be sent to the electoral boards of such counties and cities sufficient copies of the full text of this act and the question contained herein for the officers of election to post in each polling place on election day. The State Board of Elections shall without delay make out and transmit to the Governor an official copy of the report of the whole number of votes cast at the election for and against the referendum question, certified by it. The expenses incurred in conducting this election shall be defrayed as in the case of election of members of the General Assembly.**

**4. That the Department of Taxation shall promulgate all necessary and reasonable regulations to govern the administration of sales and use taxes pursuant to the provisions of this act, including, but not limited to, a bracket system for the collection of taxes in the Commonwealth on transactions of five dollars or less.**

794 5. That any moneys distributed to the Northern Virginia Transportation Authority from a one-half  
795 of one percent sales and use tax pursuant to subsections A and B of § 58.1-604.4 shall not be used  
796 to calculate or reduce the share of federal, state, or local revenues or funds otherwise available to  
797 the localities in the counties and cities described in subsections A and B of § 58.1-604.4, nor shall  
798 they be used to calculate or reduce any allocation of revenues or funds made pursuant to Title  
799 33.1 of the Code of Virginia. Such share or allocation of revenues or funds that shall not be  
800 reduced includes, but is not limited to, state basic aid payments.

801 6. That no city or county described in subsections A and B of § 58.1-604.4 may reduce its local  
802 contribution to Metrorail capital improvements below the amount it contributed for such  
803 improvements in its operating year that began in calendar year 2001.

804 7. That the provisions of this act shall not require any county governing body that has heretofore  
805 adopted an ordinance providing for a local food and beverage tax pursuant to § 58.1-3833 or  
806 § 58.1-3842 to (i) submit an amendment to its meals tax ordinance to the voters in a referendum,  
807 (ii) unanimously adopt an amendment to its meals tax ordinance, or (iii) hold a public hearing to  
808 reflect in its local meals tax ordinance the provisions of this act.

809 8. That the third enactment of this act shall be effective on July 1, 2002. The provisions of this act  
810 relating to a one-half of one percent sales and use tax pursuant to subsections A and B of  
811 § 58.1-604.4, including, but not limited to, the second, fifth, and sixth, and ninth enactments of this  
812 act, shall be effective on July 1, 2003, and only if a majority of those voting at the election and  
813 upon the question described in the third enactment of this act vote in the affirmative upon such  
814 question. For purposes of this enactment, "a majority of those voting at the election" means a  
815 majority of those voting in the entire region constituted by the counties and cities described in the  
816 third enactment of this act, and does not require a majority of those voting in any individual  
817 locality.

818 9. That Article 22 (§§ 58.1-540 through 58.1-549) of Chapter 3 of Title 58.1 and §§ 58.1-627 and  
819 58.1-628 of the Code of Virginia are repealed effective July 1, 2003, provided that the question  
820 described in the third enactment of this act is affirmed in accordance with the respective vote  
821 required on such question under this act.

822 10. That if any clause, sentence, paragraph, section, or part of this act or the application thereof  
823 to any person, entity, or circumstance is adjudged invalid by any court of competent jurisdiction  
824 such judgment shall not affect the validity of the remainder hereof but shall be confined to the  
825 clause, sentence, paragraph, section, or part hereof directly involved in the controversy in which  
826 such judgment shall have been rendered, and to this end the provisions of this act are severable. #