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HOUSE BILL NO. 656

Offered January 9, 2002

Prefiled January 9, 2002

A BILL to amend and reenact §§ 58.1-603, 58.1-604, 58.1-605, 58.1-606, 58.1-608.3, 58.1-611.1, 58.1-614, 58.1-627, 58.1-628, and 58.1-638 of the Code of Virginia, relating to additional local sales and use tax to be used for educational purposes; additional state sales and use tax 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 and dedicating revenues from such additional tax to education-related or transportation purposes in such localities and to the Northern Virginia Transportation Authority for transportation purposes; and authorizing the issuance of bonds by the Northern Virginia Transportation Authority in the principal amount of \$2,380,000,000 for transportation projects in the Northern Virginia Regional Transportation Program; all relating to the collection and expenditure of additional sales and use tax.

Patrons—Dillard, Callahan, Devolites, Hull, Plum, Scott and Watts; Senators: Howell, Puller and Ticer

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-603, 58.1-604, 58.1-605, 58.1-606, 58.1-608.3, 58.1-611.1, 58.1-614, 58.1-627, 58.1-628, and 58.1-638 of the Code of Virginia are amended and reenacted as follows:

§ 58.1-603. Imposition of sales tax.

A. There is hereby levied and imposed, in addition to all other taxes and fees of every kind now imposed by law, a license or privilege tax upon every person who engages in the business of selling at retail or distributing tangible personal property in this Commonwealth, or who rents or furnishes any of the things or services taxable under this chapter, or who stores for use or consumption in this Commonwealth any item or article of tangible personal property as defined in this chapter, or who leases or rents such property within this Commonwealth, in the amount of three and one-half percent:

1. Of the gross sales price of each item or article of tangible personal property when sold at retail or distributed in this Commonwealth.

2. Of the gross proceeds derived from the lease or rental of tangible personal property, where the lease or rental of such property is an established business, or part of an established business, or the same is incidental or germane to such business.

3. Of the cost price of each item or article of tangible personal property stored in this Commonwealth for use or consumption in this Commonwealth.

4. Of the gross proceeds derived from the sale or charges for rooms, lodgings or accommodations furnished to transients as set out in the definition of "retail sale" in § 58.1-602.

5. Of the gross sales of any services which are expressly stated as taxable within this chapter.

B. Beginning April 1, 2003, and ending at midnight on December 31, 2012, in addition to the tax imposed under subsection A, an additional tax of one percent is hereby levied and imposed on the property and activities set forth in subsection A 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 January 1, 2013, and ending at midnight on December 31, 2037, in addition to the tax imposed under subsection A, an additional tax of one-half of one percent is hereby levied and imposed on the property and activities set forth in subsection A 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.

§ 58.1-604. Imposition of use tax.

A. There is hereby levied and imposed, in addition to all other taxes and fees now imposed by law, a tax upon the use or consumption of tangible personal property in this Commonwealth, or the storage of such property outside the Commonwealth for use or consumption in this Commonwealth, in the amount of three and one-half percent:

1. Of the cost price of each item or article of tangible personal property used or consumed in this Commonwealth. Tangible personal property which has been acquired for use outside this Commonwealth and subsequently becomes subject to the tax imposed hereunder shall be taxed on the basis of its cost price if such property is brought within this Commonwealth for use within six months of its acquisition; but if so brought within this Commonwealth six months or more after its acquisition, such property shall

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HB656

59 be taxed on the basis of the current market value (but not in excess of its cost price) of such property at
60 the time of its first use within this Commonwealth. Such tax shall be based on such proportion of the
61 cost price or current market value as the duration of time of use within this Commonwealth bears to the
62 total useful life of such property (but it shall be presumed in all cases that such property will remain
63 within this Commonwealth for the remainder of its useful life unless convincing evidence is provided to
64 the contrary).

65 2. Of the cost price of each item or article of tangible personal property stored outside this
66 Commonwealth for use or consumption in this Commonwealth.

67 3. A transaction taxed under § 58.1-603 shall not also be taxed under this section, nor shall the same
68 transaction be taxed more than once under either section.

69 4. The use tax shall not apply with respect to the use of any article of tangible personal property
70 brought into this Commonwealth by a nonresident individual, visiting in Virginia, for his personal use,
71 while within this Commonwealth.

72 5. The use tax shall not apply to out-of-state mail order catalog purchases totaling \$100 or less
73 during any calendar year.

74 *B. Beginning April 1, 2003, and ending at midnight on December 31, 2012, in addition to the tax*
75 *imposed under subsection A, an additional tax of one percent is hereby levied and imposed on the*
76 *property and activities set forth in subsection A in Arlington County, Fairfax County, Loudoun County,*
77 *Prince William County, the City of Alexandria, the City of Fairfax, the City of Falls Church, the City of*
78 *Manassas, and the City of Manassas Park.*

79 *Beginning January 1, 2013, and ending at midnight on December 31, 2037, in addition to the tax*
80 *imposed under subsection A, an additional tax of one-half of one percent is hereby levied and imposed*
81 *on the property and activities set forth in subsection A in Arlington County, Fairfax County, Loudoun*
82 *County, Prince William County, the City of Alexandria, the City of Fairfax, the City of Falls Church,*
83 *the City of Manassas, and the City of Manassas Park.*

84 § 58.1-605. To what extent and under what conditions cities and counties may levy local sales taxes;
85 collection thereof by Commonwealth and return of revenue to each city or county entitled thereto.

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

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

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

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

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

114 F. As soon as practicable after the local sales tax moneys have been paid into the state treasury in
115 any month for the preceding month, the Comptroller shall draw his warrant on the Treasurer of Virginia
116 in the proper amount in favor of each city or county entitled to the monthly return of its local sales tax
117 moneys, and such payments shall be charged to the account of each such city or county under the
118 special fund created by this section. If errors are made in any such payment, or adjustments are
119 otherwise necessary, whether attributable to refunds to taxpayers, or to some other fact, the errors shall
120 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.

K. 1. In addition to the one percent general retail sales tax authorized by this section, any county or city may levy an additional one-half of one percent general retail sales tax. The council of any city and the governing body of any county desiring to impose the additional local sales tax authorized under this subsection may do so by the adoption of an ordinance stating its purpose and referring to this subsection, and providing that such ordinance shall be effective on the first day of a month at least sixty days after its adoption, provided that such additional local sales tax may not be levied prior to April 1, 2003. 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.

2. The authority to levy the tax, as provided in subdivision 1, may be exercised by a county or city governing body only if approved in a referendum within the county or city. The referendum shall be held in accordance with § 24.2-684. The referendum may be initiated either by a resolution of the governing body of the county or city or on the filing of a petition signed by a number of registered voters of the county or city equal in number to ten percent of the number of voters registered in the county or city on January 1 of the year in which the petition is filed with the circuit court of such county or city. The clerk of the circuit court shall publish notice of the election in a newspaper of general circulation in the county or city once a week for three consecutive weeks prior to the election. The ballot used shall be printed to read as follows:

"Shall the governing body of (...name of county or city...) have the authority to levy a local sales and use tax of one-half percent for education purposes in accordance with §§ 58.1-605 and 58.1-606 of the Code of Virginia?"

182 [] Yes

183 [] No"

184 3. All tax moneys collected by the Tax Commissioner and attributable to the additional local sales
185 tax authorized under this subsection shall be paid into the state treasury to the credit of a special fund
186 that is hereby created on the Comptroller's books under the name "Collections of Local Sales Taxes for
187 Education." Such moneys shall be credited to the account of each particular city or county levying such
188 additional local sales tax. The basis of such credit shall be the city or county in which the sales were
189 made as shown by the records of the Department and certified by it monthly to the Comptroller, namely,
190 the city or county of location of each place of business of every dealer paying the tax to the
191 Commonwealth without regard to the city or county of possible use by the purchasers.

192 4. All moneys distributed to a county or city from the "Collections of Local Sales Taxes for
193 Education" special fund shall be used solely for capital projects for public school construction and
194 public school infrastructure improvements including, but not limited to, technology infrastructure;
195 additions, renovations, and retrofitting of existing school buildings; new school construction; site
196 acquisition; and debt service payments, but only for debt service payments on such capital projects
197 completed subsequent to July 1, 1991, but prior to July 1, 2002. Such moneys shall not be available for
198 use under § 15.2-5814 or § 15.2-5914.

199 5. The provisions of subsections A, B, C, D, E, and F shall be applicable to the tax authorized under
200 this subsection for purposes of the administration of, and distribution of moneys collected under, such
201 tax.

202 § 58.1-606. To what extent and under what conditions cities and counties may levy local use tax;
203 collection thereof by Commonwealth and return of revenues to the cities and counties.

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

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

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

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

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

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

238 E. Out-of-state dealers who hold certificates of registration to collect the use tax from their customers
239 for remittance to this Commonwealth shall, to the extent reasonably practicable, in filing their monthly
240 use tax returns with the Tax Commissioner, break down their shipments into this Commonwealth by
241 cities and counties so as to show the city or county of destination. If, however, the out-of-state dealer is
242 unable accurately to assign any shipment to a particular city or county, the local use tax on the tangible
243 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 *and from the "Collections of Local Sales Taxes" special fund established under subsection E of § 58.1-605.* 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 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.

H. 1. In addition to the one percent use tax authorized by this section, any county or city may levy an additional one-half of one percent local use tax as provided in this subsection.

2. If the city or county imposes the additional local sales tax authorized by subsection K of § 58.1-605, the additional local use tax authorized under this subsection must be imposed by the council of the city or governing body of the county. Such tax must be imposed by the same ordinance imposing the tax pursuant to subdivision K. 1. of § 58.1-605.

3. All tax moneys collected by the Tax Commissioner and attributable to the additional local use tax authorized under this subsection shall be paid into the state treasury to the credit of the "Collections of Local Sales Taxes for Education" special fund established under subdivision K. 3. of § 58.1-605. Such moneys shall be credited to the cities or counties levying the additional local use tax in the same manner that the one percent use tax is credited to the cities or counties levying that tax.

4. All moneys distributed to a county or city from the "Collections of Local Sales Taxes for Education" special fund shall be used in the manner and for the purposes described in subdivision K. 3. of § 58.1-605.

5. The provisions of subsections A, C, D, E, and F shall be applicable to the tax authorized under this subsection for purposes of the administration of, and distribution of moneys collected under, such tax.

§ 58.1-608.3. Entitlement to certain sales tax revenues.

A. As used in this section, the following words and terms have the following meanings, unless some other meaning is plainly intended:

"Bonds" means any obligations of a municipality for the payment of money.

"Cost," as applied to any public facility or to extensions or additions to any public facility, includes: (i) the purchase price of any public facility acquired by the municipality or the cost of acquiring all of the capital stock of the corporation owning the public facility and the amount to be paid to discharge any obligations in order to vest title to the public facility or any part of it in the municipality; (ii) expenses incident to determining the feasibility or practicability of the public facility; (iii) the cost of plans and specifications, surveys and estimates of costs and of revenues; (iv) the cost of all land, property, rights, easements and franchises acquired; (v) the cost of improvements, property or equipment; (vi) the cost of engineering, legal and other professional services; (vii) the cost of construction or reconstruction; (viii) the cost of all labor, materials, machinery and equipment; (ix) financing charges; (x) interest before and during construction and for up to one year after completion of construction; (xi) start-up costs and operating capital; (xii) payments by a municipality of its share of the cost of any multi-jurisdictional public facility; (xiii) administrative expense; (xiv) any amounts to be deposited to reserve or replacement funds; and (xv) other expenses as may be necessary or incident to the financing of the public facility. Any obligation or expense incurred by the public facility in connection with any of the foregoing items of cost may be regarded as a part of the cost.

"Municipality" means any county, city, town, authority, commission, or other public entity.

"Public facility" means (i) any auditorium, coliseum, convention center, or conference center, which is owned by a Virginia county, city, town, authority, or other public entity and where exhibits, meetings, conferences, conventions, seminars, or similar public events may be conducted; (ii) any hotel which is owned by a foundation whose sole purpose is to benefit a state-supported university and which is attached to and is an integral part of such facility, together with any lands reasonably necessary for the conduct of the operation of such events; or (iii) any hotel which is attached to and is an integral part of such facility. However, such public facility must be located in a city with a population of at least 24,200

305 but no more than 24,500 as determined by the 1990 United States Census, at least 50,000 but no more
306 than 52,500, at least 95,000 but no more than 105,000, or at least 130,000 but no more than 135,000.
307 Any property, real, personal, or mixed, which is necessary or desirable in connection with any such
308 auditorium, coliseum, convention center, or conference center, including, without limitation, facilities for
309 food preparation and serving, parking facilities, and administration offices, is encompassed within this
310 definition. However, structures commonly referred to as "shopping centers" or "malls" shall not
311 constitute a public facility hereunder. In addition, only a new public facility, or a public facility which
312 will undergo a substantial and significant renovation or expansion, shall be eligible under subsection B
313 of this section. A new public facility is one whose construction began after December 31, 1991. A
314 substantial and significant renovation entails a project whose cost is at least fifty percent of the original
315 cost of the facility being renovated and shall have begun after December 31, 1991. A substantial and
316 significant expansion entails an increase in floor space of at least fifty percent over that existing in the
317 preexisting facility and shall have begun after December 31, 1991.

318 "Sales tax revenues" means such tax collections realized under the Virginia Retail Sales and Use Tax
319 Act (§ 58.1-600 et seq.) of Title 58.1, as limited herein. "Sales tax revenues" does not include (i) the
320 revenue generated by the one-half percent sales and use tax increase enacted by the 1986 Special
321 Session of the General Assembly which shall be paid to the Transportation Trust Fund as defined in
322 § 33.1-23.03:1, ~~nor shall it include~~ (ii) the one percent of the state sales and use tax revenue distributed
323 among the counties and cities of the Commonwealth pursuant to § 58.1-638 D on the basis of school
324 age population, (iii) *the revenue generated by the additional one-half percent local sales tax authorized*
325 *under subsection K of § 58.1-605, or (iv) the revenue generated by the additional one-half percent local*
326 *use tax authorized under subsection H of § 58.1-606.*

327 B. Any municipality which has issued bonds (i) after December 31, 1991, but before January 1,
328 1996, (ii) on or after January 1, 1998, but before July 1, 1999, (iii) on or after January 1, 1999, but
329 before July 1, 2001, (iv) on or after July 1, 2000, but before July 1, 2003, or (v) on or after July 1,
330 2001, but before July 1, 2004, to pay the cost, or portion thereof, of any public facility shall be entitled
331 to all sales tax revenues generated by transactions taking place in such public facility. Such entitlement
332 shall continue for the lifetime of such bonds, which entitlement shall not exceed thirty years, and all
333 such sales tax revenues shall be applied to repayment of the bonds. The State Comptroller shall remit
334 such sales tax revenues to the municipality on a quarterly basis, subject to such reasonable processing
335 delays as may be required by the Department of Taxation to calculate the actual net sales tax revenues
336 derived from the public facility. The State Comptroller shall make such remittances to eligible
337 municipalities, as provided herein, notwithstanding any provisions to the contrary in the Virginia Retail
338 Sales and Use Tax Act (§ 58.1-600 et seq.). No such remittances shall be made until construction is
339 completed and, in the case of a renovation or expansion, until the governing body of the municipality
340 has certified that the renovation or expansion is completed.

341 C. Nothing in this section shall be construed as authorizing the pledging of the faith and credit of the
342 Commonwealth of Virginia, or any of its revenues, for the payment of any bonds. Any appropriation
343 made pursuant to this section shall be made only from sales tax revenues derived from the public
344 facility for which bonds may have been issued to pay the cost, in whole or in part, of such public
345 facility.

346 § 58.1-611.1. Rate of tax on sales of food purchased for human consumption; Food Tax Reduction
347 Program.

348 A. Subject to the conditions of subsections D and E, the tax imposed by §§ *subsection A of*
349 *§ 58.1-603 and subsection A of § 58.1-604* on food purchased for human consumption shall be levied
350 and distributed as follows:

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

357 2. From April 1, 2001, through March 31, 2002, the tax rate on such food shall be two and one-half
358 percent of the gross sales price. The revenue from the tax shall be distributed as follows: (i) the revenue
359 from the tax at the rate of one-half percent shall be distributed as provided in subsection A of
360 § 58.1-638, (ii) the revenue from the tax at the rate of one percent shall be distributed as provided in
361 subsections B, C and D of § 58.1-638, and (iii) the revenue from the tax at the rate of one percent shall
362 be used for general fund purposes.

363 3. From April 1, 2002, through March 31, 2003, the tax rate on such food shall be two percent of
364 the gross sales price. The revenue from the tax shall be distributed as follows: (i) the revenue from the
365 tax at the rate of one-half percent shall be distributed as provided in subsection A of § 58.1-638, (ii) the
366 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 occurred during the then current fiscal year.

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

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

G. The tax imposed by subsection B of § 58.1-603 and by subsection B of § 58.1-604 shall not apply to food purchased for human consumption.

§ 58.1-614. Vending machine sales.

A. Notwithstanding the provisions of §§ 58.1-603 and 58.1-604, whenever a dealer makes sales of tangible personal property through vending machines, or in any other manner making collection of the tax impractical, as determined by the Tax Commissioner, such dealer shall be required to report his wholesale purchases for sale at retail from vending machines and shall be required to remit an amount based on four and one-half percent of such wholesale purchases, *except that such wholesale purchases (i) shall be taxed at the following rates in the localities set forth in subsection B of § 58.1-603 and subsection B of § 58.1-604: (a) beginning April 1, 2003, and ending at midnight on December 31, 2012, at a rate of five and one-half percent; (b) beginning January 1, 2013, and ending at midnight on December 31, 2037, at a rate of five percent; and (c) beginning January 1, 2038, at a rate of four and one-half percent; and (ii) shall be taxed an additional one-half percent in any locality that imposes the tax authorized pursuant to subsection K of § 58.1-605 and subsection H of § 58.1-606.*

B. Notwithstanding the provisions of §§ 58.1-605 and 58.1-606, dealers making sales of tangible personal property through vending machines shall report and remit the one percent local sales and use tax *and, if applicable, the one-half percent additional local sales and use tax provided under this chapter*, computed as provided in subsection A of this section.

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

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

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

432 § 58.1-627. Bracket system for tax at rate of three and one-half percent.

433 The following brackets of prices shall be used for the collection of the tax imposed by this chapter,
 434 *except for such tax imposed in the localities set forth in subsection B of § 58.1-603 and subsection B of*
 435 *§ 58.1-604:*

436	\$0.00	to	\$0.14	no	tax
437					
438	.15	to	.42	1¢	tax
439					
440	.43	to	.71	2¢	tax
441					
442	.72	to	.99	3¢	tax
443					
444	1.00	to	1.28	4¢	tax
445					
446	1.29	to	1.57	5¢	tax
447					
448	1.58	to	1.85	6¢	tax
449					
450	1.86	to	2.14	7¢	tax
451					
452	2.15	to	2.42	8¢	tax
453					
454	2.43	to	2.71	9¢	tax
455					
456	2.72	to	2.99	10¢	tax
457					
458	3.00	to	3.28	11¢	tax
459					
460	3.29	to	3.57	12¢	tax
461					
462	3.58	to	3.85	13¢	tax
463					
464	3.86	to	4.14	14¢	tax
465					
466	4.15	to	4.42	15¢	tax
467					
468	4.43	to	4.71	16¢	tax
469					
470	4.72	to	5.00	17¢	tax
471					

472 ~~On~~ *Except in the localities set forth in subsection B of § 58.1-603 and subsection B of § 58.1-604, on*
 473 *transactions over greater than five dollars, the tax shall be computed at three and one-half percent,*
 474 *one-half cent or more being treated as one cent. In the localities set forth in subsection B of § 58.1-603*
 475 *and subsection B of § 58.1-604, on transactions greater than five dollars, the tax shall be computed at*
 476 *four and one-half percent beginning April 1, 2003, and ending at midnight on December 31, 2012; four*
 477 *percent beginning January 1, 2013, and ending at midnight on December 31, 2037; and three and*
 478 *one-half percent beginning January 1, 2038, one-half cent or more being treated as one cent. If a dealer*
 479 *can show to the satisfaction of the Tax Commissioner that more than eighty-five percent of the total*
 480 *dollar volume of his gross taxable sales during the taxable month was from individual sales at prices of*
 481 *ten cents or less each, and that he was unable to adjust his prices in such manner as to prevent the*
 482 *economic incidence of the sales tax from falling on him, the Tax Commissioner shall determine the*
 483 *proper tax liability of the dealer based on that portion of the dealer's gross taxable sales which was from*
 484 *sales at prices of eleven cents or more.*

485 § 58.1-628. Bracket system for combined state and local tax.

The following brackets of prices shall be used for the collection of the combined state and local tax, except for (i) such tax imposed in the localities set forth in and authorized in subsection B of § 58.1-603 and subsection B of § 58.1-604 and (ii) such tax imposed in any locality pursuant to subsection K of § 58.1-605 and subsection H of § 58.1-606:

\$0.00	to	\$0.11	no	tax
.12	to	.33	1¢	tax
.34	to	.55	2¢	tax
.56	to	.77	3¢	tax
.78	to	.99	4¢	tax
1.00	to	1.22	5¢	tax
1.23	to	1.44	6¢	tax
1.45	to	1.66	7¢	tax
1.67	to	1.88	8¢	tax
1.89	to	2.11	9¢	tax
2.12	to	2.33	10¢	tax
2.34	to	2.55	11¢	tax
2.56	to	2.77	12¢	tax
2.78	to	2.99	13¢	tax
3.00	to	3.22	14¢	tax
3.23	to	3.44	15¢	tax
3.45	to	3.66	16¢	tax
3.67	to	3.88	17¢	tax
3.89	to	4.11	18¢	tax
4.12	to	4.33	19¢	tax
4.34	to	4.55	20¢	tax
4.56	to	4.77	21¢	tax
4.78	to	5.00	22¢	tax

On Except (a) in the localities set forth in subsection B of § 58.1-603 and subsection B of § 58.1-604, and (b) in any locality that levies the additional local tax authorized under subsection K of § 58.1-605 and subsection H of § 58.1-606, on transactions over greater than five dollars, the tax shall be computed at four and one-half percent, one half cent or more being treated as one cent. In the localities set forth in subsection B of § 58.1-603 and subsection B of § 58.1-604, on transactions greater than five dollars, the tax shall be computed at five and one-half percent beginning April 1, 2003, and ending at midnight on December 31, 2012; five percent beginning January 1, 2013, and ending at

543 *midnight on December 31, 2037; and four and one-half percent beginning January 1, 2038, one-half*
544 *cent or more being treated as one cent. In any locality imposing the additional tax authorized under*
545 *subsection K of § 58.1-605 and subsection H of § 58.1-606 the tax shall be computed*

546 *at an additional one-half percent.* The foregoing bracket system shall not relieve the dealer from the duty
547 and liability to remit an amount equal to four and one-half percent, *or such other higher percent as provided*
548 *under this chapter*, of his gross taxable sales as provided in this chapter. If the dealer, however, can show to
549 the satisfaction of the Tax Commissioner that more than eighty-five percent of the total dollar volume of his
550 gross taxable sales during the taxable month was from individual sales at prices of ten cents or less each and
551 that he was unable to adjust his prices in such manner as to prevent the economic incidence of the sales tax
552 from falling on him, the Tax Commissioner shall determine the proper tax liability of the dealer based on
553 that portion of the dealer's gross taxable sales which was from sales at prices of eleven cents or more.

554 § 58.1-638. Disposition of state sales and use tax revenue; Transportation Trust Fund; localities'
555 share; Game Protection Fund.

556 A. The Comptroller shall designate a specific revenue code number for all the state sales and use tax
557 revenue collected under the preceding sections of this chapter.

558 1. The sales and use tax revenue generated by the one-half percent sales and use tax increase enacted
559 by the 1986 Special Session of the General Assembly shall be paid, in the manner hereinafter provided
560 in this section, to the Transportation Trust Fund as defined in § 33.1-23.03:1. Of the funds paid to the
561 Transportation Trust Fund, an aggregate of 4.2 percent shall be set aside as the Commonwealth Port
562 Fund as provided in this section; an aggregate of 2.4 percent shall be set aside as the Commonwealth
563 Airport Fund as provided in this section; and an aggregate of 14.5 percent in fiscal year 1998-1999 and
564 14.7 percent in fiscal year 1999-2000 and thereafter shall be set aside as the Commonwealth Mass
565 Transit Fund as provided in this section. The Fund's share of such net revenue shall be computed as an
566 estimate of the net revenue to be received into the state treasury each month, and such estimated
567 payment shall be adjusted for the actual net revenue received in the preceding month. All payments shall
568 be made to the Fund on the last day of each month.

569 2. There is hereby created in the Department of the Treasury a special nonreverting fund which shall
570 be a part of the Transportation Trust Fund and which shall be known as the Commonwealth Port Fund.

571 a. The Commonwealth Port Fund shall be established on the books of the Comptroller and the funds
572 remaining in such Fund at the end of a biennium shall not revert to the general fund but shall remain in
573 the Fund. Interest earned on such funds shall remain in the Fund and be credited to it. Funds may be
574 paid to any authority, locality or commission for the purposes hereinafter specified.

575 b. The amounts allocated pursuant to this section shall be allocated by the Commonwealth
576 Transportation Board to the Board of Commissioners of the Virginia Port Authority to be used to
577 support port capital needs and the preservation of existing capital needs of all ocean, river, or tributary
578 ports within the Commonwealth.

579 c. Commonwealth Port Fund revenue shall be allocated by the Board of Commissioners to the
580 Virginia Port Authority in order to foster and stimulate the flow of maritime commerce through the
581 ports of Virginia, including but not limited to the ports of Richmond, Hopewell and Alexandria.

582 3. There is hereby created in the Department of the Treasury a special nonreverting fund which shall
583 be part of the Transportation Trust Fund and which shall be known as the Commonwealth Airport Fund.
584 The Commonwealth Airport Fund shall be established on the books of the Comptroller and any funds
585 remaining in such Fund at the end of a biennium shall not revert to the general fund but shall remain in
586 the Fund. Interest earned on the funds shall be credited to the Fund. The funds so allocated shall be
587 allocated by the Commonwealth Transportation Board to the Virginia Aviation Board. The funds shall
588 be allocated by the Virginia Aviation Board to any Virginia airport which is owned by the
589 Commonwealth, a governmental subdivision thereof, or a private entity to which the public has access
590 for the purposes enumerated in § 5.1-2.16, or is owned or leased by the Metropolitan Washington
591 Airports Authority (MWAA), as follows:

592 Any new funds in excess of \$12.1 million which are available for allocation by the Virginia Aviation
593 Board from the Commonwealth Transportation Fund, shall be allocated as follows: sixty percent to
594 MWAA, up to a maximum annual amount of two million dollars, and forty percent to air carrier airports
595 as provided in subdivision A 3 a. Except for adjustments due to changes in enplaned passengers, no air
596 carrier airport sponsor, excluding MWAA, shall receive less funds identified under subdivision A 3 a
597 than it received in fiscal year 1994-1995.

598 Of the remaining amount:

599 a. Forty percent of the funds shall be allocated to air carrier airports, except airports owned or leased
600 by MWAA, based upon the percentage of enplanements for each airport to total enplanements at all air
601 carrier airports, except airports owned or leased by MWAA. No air carrier airport sponsor, however,
602 shall receive less than \$50,000 nor more than \$2 million per year from this provision.

603 b. Forty percent of the funds shall be allocated by the Aviation Board for air carrier and reliever
604 airports on a discretionary basis, except airports owned or leased by MWAA.

c. Twenty percent of the funds shall be allocated by the Aviation Board for general aviation airports on a discretionary basis.

4. There is hereby created in the Department of the Treasury a special nonreverting fund which shall be a part of the Transportation Trust Fund and which shall be known as the Commonwealth Mass Transit Fund.

a. The Commonwealth Mass Transit Fund shall be established on the books of the Comptroller and any funds remaining in such Fund at the end of the biennium shall not revert to the general fund but shall remain in the Fund. Interest earned on such funds shall be credited to the Fund. Funds may be paid to any local governing body, transportation district commission, or public service corporation for the purposes hereinafter specified.

b. The amounts allocated pursuant to this section shall be used to support the public transportation administrative costs and the costs borne by the locality for the purchase of fuels, lubricants, tires and maintenance parts and supplies for public transportation at a state share of eighty percent in 2002 and ninety-five percent in 2003 and succeeding years. These amounts may be used to support up to ninety-five percent of the local or nonfederal share of capital project costs for public transportation and ridesharing equipment, facilities, and associated costs. Capital costs may include debt service payments on local or agency transit bonds. The term "borne by the locality" means the local share eligible for state assistance consisting of costs in excess of the sum of fares and other operating revenues plus federal assistance received by the locality.

c. Commonwealth Mass Transit Fund revenue shall be allocated by the Commonwealth Transportation Board as follows:

(1) Funds for special programs, which shall include ridesharing, experimental transit, and technical assistance, shall not exceed 1.5 percent of the Fund.

(2) The Board may allocate these funds to any locality or planning district commission to finance up to eighty percent of the local share of all costs associated with the development, implementation, and continuation of ridesharing programs.

(3) Funds allocated for experimental transit projects may be paid to any local governing body, transportation district commission, or public corporation or may be used directly by the Department of Rail and Public Transportation for the following purposes:

(a) To finance up to ninety-five percent of the capital costs related to the development, implementation and promotion of experimental public transportation and ridesharing projects approved by the Board.

(b) To finance up to ninety-five percent of the operating costs of experimental mass transportation and ridesharing projects approved by the Board for a period of time not to exceed twelve months.

(c) To finance up to ninety-five percent of the cost of the development and implementation of any other project designated by the Board where the purpose of such project is to enhance the provision and use of public transportation services.

d. Funds allocated for public transportation promotion and operation studies may be paid to any local governing body, planning district commission, transportation district commission, or public transit corporation, or may be used directly by the Department of Rail and Public Transportation for the following purposes and aid of public transportation services:

(1) At the approval of the Board to finance a program administered by the Department of Rail and Public Transportation designed to promote the use of public transportation and ridesharing throughout Virginia.

(2) To finance up to fifty percent of the local share of public transportation operations planning and technical study projects approved by the Board.

e. At least 73.5 percent of the Fund shall be distributed to each transit property in the same proportion as its operating expenses bear to the total statewide operating expenses and shall be spent for the purposes specified in subdivision 4 b.

f. The remaining twenty-five percent shall be distributed for capital purposes on the basis of ninety-five percent of the nonfederal share for federal projects and ninety-five percent of the total costs for nonfederal projects. In the event that total capital funds available under this subdivision are insufficient to fund the complete list of eligible projects, the funds shall be distributed to each transit property in the same proportion that such capital expenditure bears to the statewide total of capital projects.

g. There is hereby created in the Department of the Treasury a special nonreverting fund known as the Commonwealth Transit Capital Fund. The Commonwealth Transit Capital Fund shall be part of the Commonwealth Mass Transit Fund. The Commonwealth Transit Capital Fund subaccount shall be established on the books of the Comptroller and consist of such moneys as are appropriated to it by the General Assembly and of all donations, gifts, bequests, grants, endowments, and other moneys given, bequeathed, granted, or otherwise made available to the Commonwealth Transit Capital Fund. Any funds

666 remaining in the Commonwealth Transit Capital Fund at the end of the biennium shall not revert to the
667 general fund, but shall remain in the Commonwealth Transit Capital Fund. Interest earned on funds
668 within the Commonwealth Transit Capital Fund shall remain in and be credited to the Commonwealth
669 Transit Capital Fund. Proceeds of the Commonwealth Transit Capital Fund may be paid to any political
670 subdivision, another public entity created by an act of the General Assembly, or a private entity as
671 defined in § 56-557 and for purposes as enumerated in subdivision 4c of § 33.1-269 or expended by the
672 Department of Rail and Public Transportation for the purposes specified in this subdivision. Revenues of
673 the Commonwealth Transit Capital Fund shall be used to support capital expenditures involving the
674 establishment, improvement, or expansion of public transportation services through specific projects
675 approved by the Commonwealth Transportation Board. Projects financed by the Commonwealth Transit
676 Capital Fund shall receive local, regional or private funding for at least twenty percent of the nonfederal
677 share of the total project cost.

678 5. Funds for Metro shall be paid by the Northern Virginia Transportation Commission (NVTC) to the
679 Washington Metropolitan Area Transit Authority (WMATA) and be a credit to the Counties of
680 Arlington and Fairfax and the Cities of Alexandria, Falls Church and Fairfax in the following manner:

681 a. Local obligations for debt service for WMATA rail transit bonds apportioned to each locality
682 using WMATA's capital formula shall be paid first by NVTC. NVTC shall use ninety-five percent state
683 aid for these payments.

684 b. The remaining funds shall be apportioned to reflect WMATA's allocation formulas by using the
685 related WMATA-allocated subsidies and relative shares of local transit subsidies. Capital costs shall
686 include twenty percent of annual local bus capital expenses. Hold harmless protections and obligations
687 for NVTC's jurisdictions agreed to by NVTC on November 5, 1998, shall remain in effect.

688 Appropriations from the Commonwealth Mass Transit Fund are intended to provide a stable and
689 reliable source of revenue as defined by Public Law 96-184.

690 B. The sales and use tax revenue generated by a one percent sales and use tax shall be distributed
691 among the counties and cities of this Commonwealth in the manner provided in subsections C and D.

692 C. The localities' share of the net revenue distributable under this section among the counties and
693 cities shall be apportioned by the Comptroller and distributed among them by warrants of the
694 Comptroller drawn on the Treasurer of Virginia as soon as practicable after the close of each month
695 during which the net revenue was received into the state treasury. The distribution of the localities' share
696 of such net revenue shall be computed with respect to the net revenue received into the state treasury
697 during each month, and such distribution shall be made as soon as practicable after the close of each
698 such month.

699 D. The net revenue so distributable among the counties and cities shall be apportioned and
700 distributed upon the basis as certified to the Comptroller by the Department of Education, of the number
701 of children in each county and city according to the most recent statewide census of school population
702 taken by the Department of Education pursuant to § 22.1-284, as adjusted in the manner hereinafter
703 provided. No special school population census, other than a statewide census, shall be used as the basis
704 of apportionment and distribution except that in any calendar year in which a statewide census is not
705 reported, the Department of Education shall adjust such school population figures by the same percent of
706 annual change in total population estimated for each locality by The Center for Public Service. The
707 revenue so apportionable and distributable is hereby appropriated to the several counties and cities for
708 maintenance, operation, capital outlays, debt and interest payments, or other expenses incurred in the
709 operation of the public schools, which shall be considered as funds raised from local resources. In any
710 county, however, wherein is situated any incorporated town constituting a school division, the county
711 treasurer shall pay into the town treasury for maintenance, operation, capital outlays, debt and interest
712 payments, or other expenses incurred in the operation of the public schools, the proper proportionate
713 amount received by him in the ratio that the school population of such town bears to the school
714 population of the entire county. If the school population of any city or of any town constituting a school
715 division is increased by the annexation of territory since the last preceding school population census,
716 such increase shall, for the purposes of this section, be added to the school population of such city or
717 town as shown by the last such census and a proper reduction made in the school population of the
718 county or counties from which the annexed territory was acquired.

719 E. Beginning July 1, 2000, of the remaining sales and use tax revenue, the revenue generated by a
720 two percent sales and use tax, up to an annual amount of \$13 million, collected from the sales of
721 hunting equipment, auxiliary hunting equipment, fishing equipment, auxiliary fishing equipment,
722 wildlife-watching equipment, and auxiliary wildlife-watching equipment in Virginia, as estimated by the
723 most recent U.S. Department of the Interior, Fish and Wildlife Service and U.S. Department of
724 Commerce, Bureau of the Census National Survey of Fishing, Hunting, and Wildlife-Associated
725 Recreation, shall be paid into the Game Protection Fund established under § 29.1-101 and shall be used,
726 in part, to defray the cost of law enforcement. Not later than thirty days after the close of each quarter,
727 the Comptroller shall transfer to the Game Protection Fund the appropriate amount of collections to be

dedicated to such Fund. At any time that the balance in the Capital Improvement Fund, established under § 29.1-101.1, is equal to or in excess of \$35 million, any portion of sales and use tax revenues that would have been transferred to the Game Protection Fund, established under § 29.1-101, in excess of the net operating expenses of the Board, after deduction of other amounts which accrue to the Board and are set aside for the Game Protection Fund, shall remain in the general fund until such time as the balance in the Capital Improvement Fund is less than \$35 million.

F. If errors are made in any distribution, or adjustments are otherwise necessary, the errors shall be corrected and adjustments made in the distribution for the next quarter or for subsequent quarters.

G. 1. *The revenue generated and collected from the additional one percent tax, beginning April 1, 2003, and ending at midnight on December 31, 2012, pursuant to subsection B of § 58.1-603 and subsection B of § 58.1-604, shall be paid into the state treasury to the credit of a special fund that is hereby created on the Comptroller's books under the name "Collections of Additional Sales and Use Taxes." Such revenue shall be distributed as follows:*

a. *One-half of the amount of such revenue generated in each such county and city set forth in subsection B of § 58.1-603 and subsection B of § 58.1-604 shall be distributed to the respective county or city from which such revenue was generated in accordance with the same procedures for the collection of sales tax moneys pursuant to subsection E of § 58.1-605 and the same procedures for the collection of use tax moneys pursuant to subsections E and F of § 58.1-606. Such revenue shall be used as determined by each respective county or city, but only for (i) capital projects for public school construction and public school infrastructure improvements including, but not limited to, technology infrastructure; additions, renovations, and retrofitting of existing school buildings; new school construction; site acquisition; and debt service payments, but only for debt service payments on such capital projects completed subsequent to July 1, 1991, but prior to July 1, 2002; and/or (ii) transportation projects, including but not limited to, distributions to the Northern Virginia Transportation Authority. Such revenue shall not be available for use under § 15.2-5814 or § 15.2-5914.*

b. *The remaining revenue generated and collected from such additional one percent tax shall be distributed to the Northern Virginia Transportation Authority. Such revenue shall be used exclusively for transportation projects and purposes and shall not be available for use under § 15.2-5814 or § 15.2-5914.*

2. *The revenue generated and collected from the additional one-half of one percent tax, beginning January 1, 2013, through December 31, 2037, pursuant to subsection B of § 58.1-603 and subsection B of § 58.1-604, shall be paid into the state treasury to the credit of the "Collections of Additional Sales and Use Taxes" fund and shall be distributed to the Northern Virginia Transportation Authority and shall be used exclusively for transportation projects and purposes and shall not be available for use under § 15.2-5814 or § 15.2-5914.*

3. *The revenue distributed under this subsection to the counties and cities set forth in subsection B of § 58.1-603 and subsection B of § 58.1-604 and to the Northern Virginia Transportation Authority shall be considered funds raised from local sources. Such revenue shall be distributed by warrant of the Comptroller drawn on the Treasurer of Virginia as soon as practicable after the close of each month during which it was received into the state treasury. The revenue credited and distributed pursuant to this subsection shall be the gross revenue generated and collected from the additional taxes provided under subsection B of § 58.1-603 and subsection B of § 58.1-604 less the applicable portion of any refunds to taxpayers.*

GH. The term "net revenue," as used in this section, means the gross revenue received into the general fund or the Transportation Trust Fund of the state treasury under the preceding sections of this chapter, less refunds to taxpayers.

2. That it shall be the duty of the officers 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, conducting the election directed by law to be held on the Tuesday after the first Monday in November 2002 at the places appointed for holding the same, to open a poll and take the sense of the qualified voters upon the ratification or rejection of the additional tax in those localities.

The ballot shall contain the following question:

"Shall an additional state sales and use tax 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 April 1, 2003, in accordance with Chapter (...Chapter number...) of the 2002 Acts of Assembly in the following amounts: (i) one-half of one percent through December 31, 2012, with the revenues generated in each locality to be used by each locality solely for transportation projects or for capital projects for public school construction and public school infrastructure improvements and (ii) one-half of one percent through December 31, 2037, to be used solely for transportation projects and purposes

879 as specified in Chapter (...Chapter number...) of the 2002 Acts of Assembly?

890 [] Yes

891 [] No"

892 3. That the Northern Virginia Transportation Authority shall issue bonds for the following
893 transportation projects and purposes as follows:

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

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

897 "Authority" means the Northern Virginia Transportation Authority.

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

899 "Project" means the transportation projects included in the program.

900 § 3. The Program shall consist of the following projects: Dulles Corridor Transit (local share for
901 Fairfax and Loudoun counties), I-66 improvements and rail extension (west of I-495), I-95 improvements
902 and rail extension, Route 1 improvements, Techway/Eastern Potomac River crossing, I-495 highway and
903 transit improvements, Fairfax County Parkway, Tri-County/Loudoun Parkway, VRE new railcars, Route
904 234 Bypass extended/Route 659 relocated, Metrorail capital improvements (including railcar purchase
905 and station enhancements), secondary system improvements, urban system improvements (including
906 Arlington County), Route 7 Loudoun, Route 7 Fairfax, Columbia Pike/Route 7 Transit, Cities of
907 Alexandria and Fairfax transit (bus) capital improvements, and PRTC Bus purchase/facilities.

908 § 4. The Authority is hereby authorized to issue at one time or from time to time bonds in an
909 aggregate principal amount not exceeding \$2,380,000,000 to finance the costs of the projects plus an
910 amount for the issuance costs, capitalized interest, reserve funds, and other financing expenses (the
911 "Bonds"). The proceeds of the Bonds shall be used exclusively for the purpose of providing funds, with
912 any other available funds, for paying the costs incurred or to be incurred for construction or funding of
913 the projects that

914 comprise the program, consisting of environmental and engineering studies, rights-of-way acquisition,
915 improvements to all modes of transportation, construction and related improvements (the "projects"). Such
916 costs may include the payment of interest on the Bonds for a period during construction and not exceeding
917 one year after completion of construction of the projects.

918 § 5. The projects, and the amount of bonds authorized to be issued for each such project, are as
919 follows and constitute the Northern Virginia Regional Transportation Program:

920 Projects	Bond amount
921 Dulles Corridor Transit (Local Share for	
922 Fairfax and Loudoun Counties)	\$300,000,000
923 I-66 Improvements and Rail Extension	
924 (West of I-495)	\$300,000,000
925 I-95 Improvements and Rail Extension	\$300,000,000
926 Route 1 Improvements	\$200,000,000
927 Techway/Eastern Potomac River Crossing	\$100,000,000
928 I-495 Highway and Transit Improvements	\$200,000,000
929 Fairfax County Parkway	\$150,000,000
930 Tri-County/Loudoun Parkway	\$100,000,000
931 VRE New Railcars	\$50,000,000
932 Route 234 Bypass Extended/Route 659 Relocated	\$50,000,000
933 Metrorail Capital Improvements (Including	

Railcar Purchase and Station Enhancements)	\$200,000,000
Secondary System Improvements	\$100,000,000
Urban System Improvements (Including Arlington County)	\$100,000,000
Route 7 Loudoun	\$50,000,000
Route 7 Fairfax	\$50,000,000
Columbia Pike/Route 7 Transit	\$90,000,000
Cities of Alexandria and Fairfax Transit (Bus) Capital Improvements	\$35,000,000
PRTC Bus purchase/facilities	\$5,000,000
Total	\$2,380,000,000

Bond proceeds for Secondary System Improvements shall be allocated on the basis of population of those localities listed in subsection A of § 58.1-815.1 that receive allocations of funds for secondary system highways pursuant to § 33.1-23.4, as such populations are determined by the 2000 U.S. Census. Bond proceeds allocated for Urban System Improvements shall be allocated on the basis of population of (i) those localities listed in subsection A of § 58.1-815.1 that receive allocations of funds for urban system highways pursuant to § 33.1-23.3 and (ii) those towns situated within the localities described in clause (i) that receive allocations of funds for urban system highways pursuant to § 33.1-23.3, as such populations are determined by the 2000 U.S. Census.

To the extent that the sales and use tax revenues distributed to the Authority pursuant to subsection G of § 58.1-638 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, the Authority may allocate a portion of such excess funds to transportation projects subject to the following conditions: (i

) upon the recommendations of the localities set forth in subsection B of § 58.1-603 and subsection B of § 58.1-604 of the Code of Virginia, up to twenty percent of such portion shall be allocated to transit capital and operational costs, (ii) the remaining portion of such funds shall be allocated to the Program projects provided that the Authority determines such allocations will materially advance the construction of such Program projects, and (iii) upon the recommendations of the localities set forth in subsection B of § 58.1-603 and subsection B of § 58.1-604 of the Code of Virginia, any remaining portion of such funds shall be allocated to fund other transportation project or projects.

§ 6. The Authority is further authorized to borrow money in anticipation of the issuance of the bonds authorized under § 4 by the issuance of bond anticipation notes ("BANs"), including BANS as commercial paper.

§ 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. In the event that the proceeds of the bonds or BANs exceed the cost of the projects specified in § 5, the Authority shall cause such excess proceeds to be applied to the retirement of the bonds or BANs. 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.

The Authority is hereby authorized to increase the appropriation for any project listed in § 5 by the amount of the proceeds of donations, gifts, grants or other source of moneys paid to the Authority in excess of such appropriation.

§ 8. Details, sale of bonds and BANs. The bonds shall be dated, shall mature at such time or times not exceeding thirty-five years from their date or dates and may be made redeemable before their maturity or maturities at such price or prices or within such price parameters, all as may be determined

907 by the Authority. The principal of the bonds shall be amortized, by payment into a sinking fund or
908 otherwise, in annual installments. The first annual installment of principal of the bonds shall become
909 due not later than one-tenth of the term of the bonds, and no installment of principal of the bonds shall
910 be more than twice the smallest previous installment. Any such sinking fund shall not be appropriated
911 for any other purpose.

912 The bonds shall be in such form, shall bear interest at such rate or rates, either at fixed rates or at
913 rates established by formula or other method, and may contain such other provisions, all as the
914 Authority may determine. The principal of and premium, if any, and interest on the bonds and BANs
915 shall be payable in lawful money of the United States of America. Bonds and BANs may be certificated
916 or uncertificated as determined by the Authority. The Authority may contract for services of such
917 registrars, transfer agents, or other authenticating agents as it deems appropriate to maintain a record
918 of the persons entitled to the bonds and BANs. Bonds and BANs may be issued under a system of book
919 entry for recording the ownership and transfer of ownership of rights to receive payments on the bonds
920 and BANs. The Authority shall fix the denomination or denominations of the bonds and the place or
921 places of payment of principal, premium, if any, and interest, which may be at the office of the
922 Authority or at any one or more banks or trust companies within or without the Commonwealth.

923 The Authority may sell the bonds and any BANs in such manner, either by competitive bidding,
924 negotiated sale or private placement, and for such price as it may determine.

925 The bonds and BANs shall be signed on behalf of the Authority by the chairman of the Authority, or
926 shall bear his facsimile signature. In the event that the bonds or BANs bear the facsimile signature of
927 the chairman, they shall be signed by such administrative assistant as the chairman shall determine or
928 by such registrar or paying agent as may be designated to sign them by the Authority. If any officer
929 whose signature or facsimile signature shall appear on any bonds or BANs shall cease to be such
930 officer before the delivery, such signature or such facsimile shall nevertheless be valid and sufficient for
931 all purposes the same as if such officer had remained in office until such delivery, and any bond or
932 BAN may bear the facsimile signature of, or may be signed by, such persons as at the actual time of the
933 execution are the proper officers to sign such bond or BAN although, at the date of such bond or BAN,
934 such persons may not have been such officers.

935 § 9. Refunding. The Authority is hereby authorized to sell and issue, at one time or from time to
936 time, refunding bonds and BANs, to refund any or all of the bonds and BANs, respectively, issued under
937 this act. Refunding bonds or BANs may be issued in a principal amount up to the amount necessary to
938 pay at maturity or redeem the bonds and BANs to be refunded and pay all issuance costs and other
939 financing expenses of the refunding. Such refunding bonds and BANs may be issued whether or not the
940 bonds or BANs to be refunded are then subject to redemption. Any escrow or trust fund established with
941 the proceeds from the sale of refunding bonds shall be irrevocably pledged to the payment of the bonds
942 to be refunded, and shall be used solely to pay such bonds or BANs at maturity or upon redemption or
943 for the purchase of not less than all of the bonds or BANs to be refunded.

944 § 10. Authorized Investments. Pending the application of the proceeds of the bonds or BANs
945 (including refunding bonds and BANs) to the purpose for which they have been authorized and the
946 application of funds set aside for the purpose to the payment of bonds or BANs, they may be invested by
947 the Authority in legal investments under the laws of the Commonwealth for public funds and sinking
948 funds, as the case may be. Whenever the Authority receives interest from the investment of the proceeds
949 of bonds or any BANs, such interest shall become a part of the principal of the bonds or any BANs and
950 shall be used in the same manner as required for principal of the bonds or BANs.

951 § 11. The bonds authorized under § 4 may be issued without obtaining the consent of any
952 commission, board, bureau, office, or agency of the Commonwealth or of any political subdivision, and
953 without any proceedings or the happening of conditions or things other than those proceedings,
954 conditions or things that are specifically required under this act; however, each debt offering for such
955 bonds shall be submitted to the State Treasurer sufficiently prior to the sale of such offering to allow
956 the State Treasurer to undertake a review for the sole purposes of determining (i) whether the offering
957 may constitute tax-supported debt of the Commonwealth and (ii) the potential impact of the offering on
958 the debt capacity of the Commonwealth. After such review, the State Treasurer shall determine if the
959 offering constitutes tax-supported debt of the Commonwealth and the potential impact of the offering on
960 the debt capacity of the Commonwealth. If the State Treasurer determines that the debt offering may
961 constitute tax-supported debt of the Commonwealth, then the debt offering shall be submitted to the
962 General Assembly for approval of the issuance of such debt. Any debt offering submitted to the General
963 Assembly under this act may be issued only upon approval of such issuance by both houses of the
964 General Assembly. The Authority may issue such types of bonds as it may determine consistent with the
965 provisions of §§ 4 and 5 of this act and subject to § 14 of this act, including, without limitation, bonds
966 payable as to principal and interest from any one or more of the following sources: (a) its revenues
967 generally, including distributions paid or payable to the Authority pursuant to § 58.1-638 of the Code of
968 Virginia; (b) income and revenues derived from the operation, sale or lease of a particular project or

projects, whether or not they are financed from the proceeds of such bonds; (c) funds realized from the enforcement of security interests or other liens or obligations securing such bonds; (d) proceeds from the sale of bonds; (e) payments under letters of credit, policies of bond insurance, guarantees or other credit enhancements; (f) any reserve or sinking funds created to secure such payment; (g) accounts receivable of the Authority; or (h) other available funds of the Authority.

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

Any bond authorized under this act may be issued pursuant to or secured by a trust indenture, deed of trust or mortgage of any property of the Authority, whether or not financed, in whole or in part, from the proceeds of such bonds, by a trust or other agreement with a corporate trustee, which may be any trust company or bank having the powers of a trust company within or without the Commonwealth, or other agent for bondholders, or any combination thereof. Any such trust indenture or other agreement may pledge or assign revenues, fees, rents and other charges to be received and may contain provisions for protecting and enforcing the rights and remedies of the bondholders as may be reasonable and proper and not in violation of law. Such provisions may include covenants: (a

) providing for the collection and application of revenues and sale by the Authority, or any trustees under any trust indenture or agreement, of any property upon default; (b) setting forth duties of the Authority in relation to the acquisition, construction, maintenance, operation and insurance of any property of the Authority and the amounts of fees, rents and other charges to be charged; (c) providing for the collection of revenues, fees, rents and other charges, and the custody, safeguarding and application of all moneys of the Authority; (d) providing for the creation of sinking funds and the creation and maintenance of reserves; and (e) setting forth conditions or limitations with respect to the incurrence of indebtedness or the granting of mortgages or other liens. Such trust indenture, trust or other agreement may set forth the rights and remedies of the bondholders and of the trustee or other agent for bondholders and may restrict the individual right of action by bondholders.

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

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

All expenses incurred in carrying out the provisions of such trust indenture or agreement or resolution or other agreements relating to any project may be treated as a part of the costs of a project.

§ 13. Except to the extent that the rights herein given may be restricted by such trust indenture or trust or other agreement, any holder of bonds or coupons authorized under this act and the trustee or 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 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.

§ 14. No member, officer, employee or agent of the Authority or any person executing bonds of the Authority shall be liable personally on the bonds by reason of their issuance or execution. Bonds of the Authority 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 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 are declared to be issued for an essential public and governmental purpose.

§ 15. Expenses. All expenses incurred under this act shall be paid from the proceeds of the bonds, or

1030 any refunding bonds or BANs, or from any other available funds as the Authority may determine.

1031 § 16. Bonds issued by the Authority under the provisions of this act are hereby made securities in
1032 which all public officers and public bodies of the Commonwealth and its political subdivisions, all
1033 insurance companies, trust companies, banking associations, investment companies, executors,
1034 administrators, trustees and other fiduciaries may properly and legally invest funds, including capital in
1035 their control or belonging to them. Such bonds are hereby made securities that may properly and
1036 legally be deposited with and received by any state or municipal officer or any agency or political
1037 subdivision of the Commonwealth for any purpose for which the deposit of bonds or obligations is now
1038 or may hereafter be authorized by law.

1039 § 17. Exemption of interest from tax. The bonds and BANs issued under the provisions of this act,
1040 their transfer, and the income therefrom, including any profit made on the sale thereof, shall at all times
1041 be exempt from taxation by the Commonwealth and by any political subdivision thereof. The interest on
1042 the bonds and any refunding bonds or BANs may be subject to inclusion in gross income of the holders
1043 thereof for federal income tax purposes.

1044 § 18. Severability. The provisions of this act or the application thereof to any person or circumstance
1045 that are held invalid shall not affect the validity of other provisions or applications of this act that can
1046 be given effect without the invalid provisions or applications.

1047 4. Except as provided in this act, no state or local agency, department, board, commission, office
1048 or other body shall have any control over the use of any revenues distributed to the Northern
1049 Virginia Transportation Authority or over the amount of such revenues distributed to the
1050 Authority pursuant to this act.

1051 5. That the Department of Taxation, in accordance with the state sales and use tax increase
1052 provided in this act, shall promulgate regulations, pursuant to the Administrative Process Act
1053 (§ 2.2-4000 et seq.), establishing brackets of prices and associated state and combined state and
1054 local sales and use taxes on transactions of five dollars or less.

1055 6. That the revenues generated pursuant to the taxes imposed under subsection K of § 58.1-605
1056 and subsection H of § 58.1-606 shall not diminish or replace allocations or appropriations for
1057 educational purposes made by any locality, the Commonwealth, or any other source, but shall be
1058 supplemental to all such other allocations or appropriations. In addition, such revenues shall not
1059 be used to calculate or reduce the share of local, federal, or state revenues otherwise available to
1060 any locality.

1061 7. That the Department of Taxation, in accordance with the additional local sales and use taxes
1062 authorized pursuant to subsection K of § 58.1-605 and subsection H of § 58.1-606, shall promulgate
1063 regulations, pursuant to the Administrative Process Act (§ 2.2-4000 et seq.), establishing brackets
1064 of prices and associated combined state and local sales and use taxes on transactions of five dollars
1065 or less.

1066 8. That the revenues distributed to counties and cities and to the Northern Virginia Transportation
1067 Authority pursuant to subsection G of § 58.1-638 shall not diminish or replace allocations or
1068 appropriations for educational or transportation purposes made by any locality within the counties
1069 or cities set forth in subsection B of § 58.1-603 or subsection B of § 58.1-604, the Commonwealth,
1070 or any other source, but shall be supplemental to all such other allocations or appropriations. In
1071 addition, the revenues used for educational or transportation purposes pursuant to subsection G of
1072 § 58.1-638 shall not be used to calculate or reduce the share of local, federal, or state revenues
1073 otherwise available to any locality within the counties or cities set forth in subsection B of
1074 § 58.1-603 or subsection B of § 58.1-604 or to the Northern Virginia construction district.

1075 9. That if any clause, sentence, paragraph, section, or part of this act or the application thereof to
1076 any person, entity, or circumstance is adjudged invalid by any court of competent jurisdiction,
1077 such judgment shall not affect the validity of the remainder hereof but shall be confined to the
1078 clause, sentence, paragraph, section, or part hereof directly involved in the controversy in which
1079 such judgment shall have been rendered, and to this end the provisions of this act are severable.

1080 10. That any locality in which the tax under subsection B of § 58.1-603 and subsection B of
1081 § 58.1-604 is imposed

1082 may not impose the additional tax under subsection K of § 58.1-605 and subsection H of § 58.1-606.

1083 11. That, except for (i) the second, sixth, seventh, and ninth enactments of this act, (ii) the
1084 amendments in the first enactment to §§ 58.1-605, 58.1-606, and 58.1-628, and (iii) the amendments
1085 in the first enactment to §§ 58.1-614 and 58.1-628 related to the taxes authorized pursuant to
1086 subsection K of § 58.1-605 and subsection H of § 58.1-606, the provisions of this act shall be
1087 effective on April 1, 2003, and only if a majority of those voting at the election and upon the
1088 question described in the second enactment of this act vote in the affirmative on the question
1089 presented. For purposes of this act, "a majority of those voting at the election" means a majority
1090 of those voting in the entire region constituted by the localities described in such second
1091 enactment, and does not require a majority of those voting in any individual locality.