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HOUSE BILL NO. 1238

Offered January 17, 2002

A BILL to amend and reenact §§ 58.1-320, 58.1-400 and 58.1-3500 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 58.1-320.1, relating to the imposition and administration of income and property taxes.

Patron—Parrish

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-320, 58.1-400 and 58.1-3500 of the Code of Virginia are amended and reenacted, and that the Code of Virginia is amended by adding a section numbered 58.1-320.1 as follows:

§ 58.1-320. Imposition of tax.

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

Two percent on income not exceeding \$3,000 for taxable years beginning before January 1, 2003;

Three percent on income not exceeding \$3,000 for taxable years beginning on and after January 1, 2003;

Three percent on income in excess of \$3,000, but not in excess of \$5,000 for taxable years beginning before January 1, 2003;

Four percent on income in excess of \$3,000, but not in excess of \$5,000 for taxable years beginning on and after January 1, 2003;

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

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

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

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

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

Six percent on income in excess of \$5,000 but not in excess of \$17,000 for taxable years beginning on and after January 1, 2003;

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

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

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

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

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

Six and three-quarters percent on income in excess of \$17,000 for taxable years beginning on and after January 1, 2003.

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

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

A. All additional income tax revenues collected after January 1, 2003, by the Tax Commissioner pursuant to §§ 58.1-320 and 58.1-400 shall be paid into the General Fund of the state treasury. For purposes of this article, such revenues shall be referred to as the local income tax revenues.

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

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

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

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

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

76 *Revenues derived by a county or city from the local income tax revenues collected under this article*
77 *shall be in addition to those collected by a county or city as a result of levying the real property tax.*
78 *Any county or city that receives revenues from the local income tax collected under this article shall not*
79 *reduce its real property tax effective rate below the rate that existed on January 1, 2003.*

80 *§ 58.1-400. Imposition of tax.*

81 *A. A tax at the rate of six percent for taxable years beginning before January 1, 2003, and seven*
82 *percent for taxable years beginning on and after January 1, 2003, is hereby annually imposed on the*
83 *Virginia taxable income for each taxable year of every corporation organized under the laws of the*
84 *Commonwealth and every foreign corporation having income from Virginia sources.*

85 *B. The revenue generated by the tax increase provided in subsection A and enacted by the 2002*
86 *General Assembly shall be administered in accordance with § 58.1-320.1 and distributed to the localities*
87 *based on each locality's share of total full-time employees, as determined by the Tax Commissioner.*

88 *§ 58.1-3500. Defined and segregated for local taxation; rate limitation.*

89 *Tangible personal property shall consist of all personal property not otherwise classified by*
90 *§ 58.1-1100 as intangible personal property or by § 58.1-3510 as merchants' capital. Such tangible*
91 *personal property is hereby segregated for and made subject to local taxation only pursuant to Article X,*
92 *Section 4 of the Constitution of Virginia; however, no county, city or town shall impose a tax on such*
93 *property in excess of \$0.01 per \$100 of assessed value for tax years beginning on and after January 1,*
94 *2003.*