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**HOUSE BILL NO. 1081**

Offered January 14, 2004

Prefiled January 14, 2004

*A BILL to amend and reenact §§ 58.1-302, 58.1-320, 58.1-321, 58.1-322, 58.1-391, 58.1-392, 58.1-402, 58.1-415, 58.1-441, 58.1-603, 58.1-604, 58.1-604.1, 58.1-611.1, 58.1-614, 58.1-615, 58.1-627, 58.1-628, 58.1-639, 58.1-901, 58.1-902, 58.1-1001, 58.1-3524, 58.1-3526, 58.1-3528, 58.1-3531, 58.1-3830, 58.1-3833, 58.1-3840, and 58.1-3912 of the Code of Virginia, to amend the Code of Virginia by adding in Title 32.1 a chapter numbered 15, consisting of sections numbered 32.1-366 and 32.1-367, and to amend the Code of Virginia by adding sections numbered 58.1-390.1, 58.1-390.2, and 58.1-393.1, and by adding in Article 9 of Chapter 3 of Title 58.1 sections numbered 58.1-394.1, 58.1-394.2 and 58.1-395, and to repeal §§ 58.1-390, 58.1-394, and 58.1-3831 of the Code of Virginia, relating to the Commonwealth of Opportunity Plan for tax fairness, education, health and the fiscal integrity of Virginia; penalty.*

Patrons—Parrish and Dillard

Referred to Committee on Finance

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

**1. That §§ 58.1-302, 58.1-320, 58.1-321, 58.1-322, 58.1-391, 58.1-392, 58.1-402, 58.1-415, 58.1-441, 58.1-603, 58.1-604, 58.1-604.1, 58.1-611.1, 58.1-614, 58.1-615, 58.1-627, 58.1-628, 58.1-639, 58.1-901, 58.1-902, 58.1-1001, 58.1-3524, 58.1-3526, 58.1-3528, 58.1-3531, 58.1-3830, 58.1-3833, 58.1-3840, and 58.1-3912 of the Code of Virginia are amended and reenacted, and that the Code of Virginia is amended by adding in Title 32.1 a chapter numbered 15, consisting of sections numbered 32.1-366 and 32.1-367, and to amend the Code of Virginia by adding sections numbered 58.1-390.1, 58.1-390.2, and 58.1-393.1, and by adding in Article 9 of Chapter 3 of Title 58.1 sections numbered 58.1-394.1, 58.1-394.2 and 58.1-395 as follows:**

**CHAPTER 15.****VIRGINIA HEALTH CARE FUND.****§ 32.1-366. Virginia Health Care Fund Established.**

*A. There is hereby created in the state treasury a special nonreverting fund to be known as the Virginia Health Care Fund, hereafter referred to as the "Fund." The Fund shall be established on the books of the Comptroller and any moneys remaining in the Fund at the end of each fiscal year shall not revert to the general fund but shall remain in the Fund. For purposes of the Comptroller's preliminary and final annual reports required by § 2.2-813, however, all deposits to and disbursements from the Fund shall be accounted for as part of the general fund of the state treasury.*

*B. All revenue received by the Commonwealth pursuant to the provisions of § 58.1-1001 shall be paid into the state treasury and deposited to the Fund. The State Comptroller shall also deposit 40 percent of the Commonwealth's allocation pursuant to the Master Settlement Agreement with tobacco product manufacturers, as defined in § 3.1-1106, to the Fund. The Fund shall also consist of all recoveries received during a fiscal year resulting from expenditures incurred in the Medicaid program during a prior fiscal year or years to the extent that such amounts represent recoveries of state funds that would otherwise be deposited to the general fund of the state treasury.*

**§ 32.1-367. Uses of Virginia Health Care Fund.**

*Moneys deposited to the Fund shall be used solely for the provision of health care services. Health care services include, but are not limited to, Medicaid payments, disease diagnosis, prevention and control, and community health services. Disbursements from the Fund shall be made in accordance with appropriations made by law.*

**§ 58.1-302. Definitions.**

*For the purpose of this chapter and unless otherwise required by the context:*

*"Affiliated" means two or more corporations subject to Virginia income taxes whose relationship to each other is such that (i) one corporation owns at least eighty percent of the voting stock of the other or others or (ii) at least eighty percent of the voting stock of two or more corporations is owned by the same interests.*

*"Compensation" means wages, salaries, commissions and any other form of remuneration paid or accrued to employees for personal services.*

*"Corporation" includes associations, joint stock companies and insurance companies.*

*"Domicile" means the permanent place of residence of a taxpayer and the place to which he intends to return even though he may actually reside elsewhere. In determining domicile, consideration may be*

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59 given to the applicant's expressed intent, conduct, and all attendant circumstances including, but not  
60 limited to, financial independence, business pursuits, employment, income sources, residence for federal  
61 income tax purposes, marital status, residence of parents, spouse and children, if any, leasehold, sites of  
62 personal and real property owned by the applicant, motor vehicle and other personal property  
63 registration, residence for purposes of voting as proven by registration to vote, if any, and such other  
64 factors as may reasonably be deemed necessary to determine the person's domicile.

65 "Foreign source income" means:

- 66 1. Interest, other than interest derived from sources within the United States;
- 67 2. Dividends, other than dividends derived from sources within the United States;
- 68 3. Rents, royalties, license, and technical fees from property located or services performed without  
69 the United States or from any interest in such property, including rents, royalties, or fees for the use of  
70 or the privilege of using without the United States any patents, copyrights, secret processes and  
71 formulas, good will, trademarks, trade brands, franchises, and other like properties;
- 72 4. Gains, profits, or other income from the sale of intangible or real property located without the  
73 United States; and
- 74 5. The amount of an individual's share of net income attributable to a foreign source qualified  
75 business unit of an electing small business corporation (S corporation). For purposes of this subsection,  
76 qualified business unit shall be defined by § 989 of the Internal Revenue Code, and the source of such  
77 income shall be determined in accordance with §§ 861, 862 and 987 of the Internal Revenue Code.

78 In determining the source of "foreign source income," the provisions of §§ 861, 862, and 863 of the  
79 Internal Revenue Code shall be applied except as specifically provided in subsection 5 above.

80 "Income and deductions from Virginia sources" includes:

- 81 1. Items of income, gain, loss and deduction attributable to:
    - 82 a. The ownership of any interest in real or tangible personal property in Virginia;
    - 83 b. A business, trade, profession or occupation carried on in Virginia; or
    - 84 c. Prizes paid by the Virginia Lottery Department, and gambling winnings from wagers placed or  
85 paid at a location in Virginia.
  - 86 2. Income from intangible personal property, including annuities, dividends, interest, royalties and  
87 gains from the disposition of intangible personal property to the extent that such income is from  
88 property employed by the taxpayer in a business, trade, profession, or occupation carried on in Virginia.
- 89 "Individual" means all natural persons whether married or unmarried and fiduciaries acting for  
90 natural persons, but not fiduciaries acting for trusts or estates.

91 "Intangible expenses and costs" means:

- 92 1. *Expenses, losses and costs for, related to, or in connection directly or indirectly with the direct or*  
93 *indirect acquisition, use, maintenance or management, ownership, sale, exchange, lease, transfer, or any*  
94 *other disposition of intangible property to the extent such amounts are allowed as deductions or costs in*  
95 *determining taxable income;*
- 96 2. *Losses related to or incurred in connection directly or indirectly with factoring transactions or*  
97 *discounting transactions;*
- 98 3. *Royalty, patent, technical and copyright fees;*
- 99 4. *Licensing fees; and*
- 100 5. *Other similar expenses and costs.*

101 "Intangible property" means patents, patent applications, trade names, trademarks, service marks,  
102 copyrights and similar types of intangible assets, as well as money.

103 "Interest expenses and costs" means amounts directly or indirectly allowed as deductions under  
104 Section 163 of the Internal Revenue Code for purposes of determining taxable income under the Internal  
105 Revenue Code to the extent such expenses and costs are directly or indirectly for, related to, or in  
106 connection with the direct or indirect acquisition, use, maintenance, management, ownership, sale,  
107 exchange, lease, transfer, or disposition of intangible property.

108 "Nonresident estate or trust" means an estate or trust which is not a resident estate or trust.

109 "Related entity" means:

- 110 1. A stockholder who is an individual, or a member of the stockholder's family enumerated in Section  
111 318 of the Internal Revenue Code, if the stockholder and the members of the stockholder's family own,  
112 directly, indirectly, beneficially or constructively, in the aggregate, at least 50 percent of the value of  
113 the taxpayer's outstanding stock;
- 114 2. A stockholder, or a stockholder's partnership, limited liability company, estate, trust or  
115 corporation, if the stockholder and the stockholder's partnerships, limited liability companies, estates,  
116 trusts and corporations own directly, indirectly, beneficially or constructively, in the aggregate, at least  
117 50 percent of the value of the taxpayer's outstanding stock; or
- 118 3. A corporation, or a party related to the corporation in a manner that would require an attribution  
119 of stock from the corporation to the party or from the party to the corporation under the attribution  
120 rules of Section 318 of the Internal Revenue Code, if the taxpayer owns, directly, indirectly, beneficially



or constructively, at least 50 percent of the value of the corporation's outstanding stock. The attribution rules of Section 318 of the Internal Revenue Code shall apply for purposes of determining whether the ownership requirements of this subdivision have been met.

"Related member" means a person that, with respect to the taxpayer during all or any portion of the taxable year, is a related entity, a component member as defined in Section 1563(b) of the Internal Revenue Code, or is a person to or from whom there is attribution of stock ownership in accordance with Section 1563(e) of the Internal Revenue Code.

"Resident" applies only to natural persons and includes, for the purpose of determining liability for the taxes imposed by this chapter upon the income of any taxable year every person domiciled in Virginia at any time during the taxable year and every other person who, for an aggregate of more than 183 days of the taxable year, maintained his place of abode within Virginia, whether domiciled in Virginia or not. The word "resident" shall not include any member of the United States Congress who is domiciled in another state.

"Resident estate or trust" means:

1. The estate of a decedent who at his death was domiciled in the Commonwealth;
2. A trust created by will of a decedent who at his death was domiciled in the Commonwealth;
3. A trust created by or consisting of property of a person domiciled in the Commonwealth; or
4. A trust or estate which is being administered in the Commonwealth.

"Sales" means all gross receipts of the corporation not allocated under § 58.1-407, except the sale or other disposition of intangible property shall include only the net gain realized from the transaction.

"State" means for purposes of Article 10 of this chapter any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, and any foreign country.

"Trust" or "estate" means a trust or estate, or a fiduciary thereof, which is required to file a fiduciary income tax return under the laws of the United States.

"Virginia fiduciary adjustment" means the net amount of the applicable modifications described in § 58.1-322 (including subsection E thereof if the estate or trust is a beneficiary of another estate or trust) which relate to items of income, gain, loss or deduction of an estate or trust. The fiduciary adjustment shall not include the modification in subsection D of § 58.1-322, except that the amount of state income taxes excluded from federal taxable income shall be included. The fiduciary adjustment shall also include the modification in subsection D of § 58.1-322, regarding the deduction for the purchase of a prepaid tuition contract or contribution to a savings trust account.

§ 58.1-320. Imposition of tax.

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

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

Three percent on income in excess of \$3,000, but not in excess of \$5,000 for taxable years beginning before January 1, 2005;

Three percent on income in excess of \$3,000, but not in excess of \$7,000 for taxable years beginning on and after January 1, 2005;

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, through December 31, 2004;

Five percent on income in excess of \$7,000 but not in excess of \$20,000 for taxable years beginning on and after January 1, 2005;

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



182 after January 1, 1990, through December 31, 2004;

183 Five and three-quarters percent on income in excess of \$20,000 but not in excess of \$100,000 for  
184 taxable years beginning on and after January 1, 2005; and

185 Six and one-quarter percent on income in excess of \$100,000 for taxable years beginning on and  
186 after January 1, 2005.

187 § 58.1-321. Exemptions and exclusions.

188 A. No tax levied pursuant to § 58.1-320 is imposed, nor any return required to be filed by:

189 1. A single individual where the Virginia adjusted gross income for such taxable year is less than  
190 \$3,000 for taxable years beginning before January 1, 1987; and less than \$5,000 for taxable years  
191 beginning on and after January 1, 1987, through December 31, 2004; and less than \$7,000 for taxable  
192 years beginning on and after January 1, 2005;

193 2. An individual and spouse if their combined Virginia adjusted gross income for such taxable year  
194 is less than \$3,000 for taxable years beginning before January 1, 1987; and less than \$8,000 for taxable  
195 years beginning on and after January 1, 1987, through December 31, 2004; and less than \$14,000 for  
196 taxable years beginning on and after January 1, 2005 (or one-half of such amount in the case of a  
197 married individual filing a separate return).

198 For the purposes of this section "Virginia adjusted gross income" means federal adjusted gross  
199 income for the taxable years with the modifications specified in § 58.1-322 B, § 58.1-322 C and the  
200 additional deductions allowed under § 58.1-322 D 2 b and D 5.

201 B. Persons in the armed forces of the United States stationed on military or naval reservations within  
202 Virginia who are not domiciled in Virginia shall not be held liable to income taxation for compensation  
203 received from military or naval service.

204 § 58.1-322. Virginia taxable income of residents.

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

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

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

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

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

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

222 5. through 8. [Repealed.]

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

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

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

231 2. Income derived from obligations, or on the sale or exchange of obligations of this Commonwealth  
232 or of any political subdivision or instrumentality of this Commonwealth.

233 3. [Repealed.]

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

236 4a. Through December 31, 2000, the same amount used in computing the federal credit allowed  
237 under § 22 of the Internal Revenue Code by a retiree under age 65 who qualified for such retirement on  
238 the basis of permanent and total disability and who is a qualified individual as defined in § 22 (b) (2) of  
239 the Internal Revenue Code; however, any person who claims a deduction under subdivision 5 of  
240 subsection D of this section may not also claim a subtraction under this subdivision.

241 4b. For taxable years beginning on or after January 1, 2001, up to \$20,000 of disability income, as  
242 defined in § 22 (c) (2) (B) (iii) of the Internal Revenue Code; however, any person who claims a  
243 deduction under subdivision 5 of subsection D of this section may not also claim a subtraction under



244 this subdivision.

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

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

249 7, 8. [Repealed.]

250 9. [Expired.]

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

253 11. The wages or salaries received by any person for active and inactive service in the National  
254 Guard of the Commonwealth of Virginia, not to exceed the amount of income derived from 39 calendar  
255 days of such service or \$3,000, whichever amount is less; however, only those persons in the ranks of  
256 O3 and below shall be entitled to the deductions specified herein.

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

263 13. [Repealed.]

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

266 15, 16. [Repealed.]

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

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

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

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

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

296 22. For taxable years beginning on or after January 1, 2000, the gain derived from the sale or  
297 exchange of real property or the sale or exchange of an easement to real property which results in the  
298 real property or the easement thereto being devoted to open-space use, as that term is defined in  
299 § 58.1-3230, for a period of time not less than 30 years. To the extent a subtraction is taken in  
300 accordance with this subdivision, no tax credit under this chapter for donating land for its preservation  
301 shall be allowed for three years following the year in which the subtraction is taken.

302 23. Effective for all taxable years beginning on or after January 1, 2000, \$15,000 of military basic  
303 pay for military service personnel on extended active duty for periods in excess of 90 days; however,  
304 the subtraction amount shall be reduced dollar-for-dollar by the amount which the taxpayer's military



305 basic pay exceeds \$15,000 and shall be reduced to zero if such military basic pay amount is equal to or  
306 exceeds \$30,000.

307 24. Effective for all taxable years beginning on and after January 1, 2000, the first \$15,000 of salary  
308 for each *full-time* federal and state employee whose ~~annual~~*annualized* salary is \$15,000 or less.

309 25. Unemployment benefits taxable pursuant to § 85 of the Internal Revenue Code.

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

312 27. Effective for all taxable years beginning on and after January 1, 1999, income received as a  
313 result of (i) the "Master Settlement Agreement," as defined in § 3.1-1106; (ii) the National Tobacco  
314 Grower Settlement Trust dated July 19, 1999; and (iii) the Tobacco Loss Assistance Program, pursuant  
315 to 7 C.F.R. Part 1464 (Subpart C, §§ 1464.201 through 1464.205), by (a) tobacco farmers; (b) any  
316 person holding a tobacco marketing quota, or tobacco farm acreage allotment, under the Agricultural  
317 Adjustment Act of 1938; or (c) any person having the right to grow tobacco pursuant to such a quota or  
318 allotment, but only to the extent that such income has not been subtracted pursuant to subdivision C 18  
319 of § 58.1-402.

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

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

341 29. For taxable years beginning on and after January 1, 2002, any gain recognized as a result of the  
342 Peanut Quota Buyout Program of the Farm Security and Rural Investment Act of 2002 pursuant to 7  
343 C.F.R. Part 1412 (Subpart H, §§ 1412.801 through 1412.811) as follows:

344 a. If the payment is received in installment payments pursuant to 7 C.F.R. § 1412.807(a)(2), then the  
345 entire gain recognized may be subtracted.

346 b. If the payment is received in a single payment pursuant to 7 C.F.R. § 1412.807(a)(3), then 20  
347 percent of the recognized gain may be subtracted. The taxpayer may then deduct an equal amount in  
348 each of the four succeeding taxable years.

349 30. Effective for all taxable years beginning on and after January 1, 2002, but before January 1,  
350 2005, the indemnification payments received by contract poultry growers and table egg producers from  
351 the U.S. Department of Agriculture as a result of the depopulation of poultry flocks because of low  
352 pathogenic avian influenza in 2002. In no event shall indemnification payments made to owners of  
353 poultry who contract with poultry growers qualify for this subtraction.

354 31. Effective for all taxable years beginning on or after January 1, 2001, the military death gratuity  
355 payment made after September 11, 2001, to the survivor of deceased military personnel killed in the line  
356 of duty, pursuant to Chapter 75 of Title 10 of the United States Code; however, the subtraction amount  
357 shall be reduced dollar-for-dollar by the amount that the survivor may exclude from his federal gross  
358 income in accordance with § 134 of the Internal Revenue Code.

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

360 1. a. The amount allowable for itemized deductions for federal income tax purposes where the  
361 taxpayer has elected for the taxable year to itemize deductions on his federal return, but reduced by the  
362 amount of income taxes imposed by the Commonwealth or any other taxing jurisdiction and deducted  
363 on such federal return and increased by an amount which, when added to the amount deducted under  
364 § 170 of the Internal Revenue Code for mileage, results in a mileage deduction at the state level for  
365 such purposes at a rate of 18 cents per mile; or

366 b. Two thousand dollars for taxable years beginning January 1, 1987, through December 31, 1987;



\$2,700 for taxable years beginning January 1, 1988, through December 31, 1988; and \$5,000 for married persons (one-half of such amounts in the case of a married individual filing a separate return); and \$3,000 Three thousand dollars for single individuals for taxable years beginning on and after January 1, 1989, through December 31, 2004; and \$8,000 for married persons (one-half of such amounts in the case of a married individual filing a separate return); and \$4,000 for single individuals for taxable years beginning on and after January 1, 2005, provided that the taxpayer has not itemized deductions for the taxable year on his federal income tax return. For purposes of this section, any person who may be claimed as a dependent on another taxpayer's return for the taxable year may compute the deduction only with respect to earned income.

2. a. A deduction in the amount of \$700 for taxable years beginning January 1, 1987, through December 31, 1987, and \$800 for taxable years beginning on and after January 1, 1988, through December 31, 2004, and \$1,000 for taxable years beginning on and after January 1, 2005; for each personal exemption allowable to the taxpayer for federal income tax purposes.

b. For taxable years beginning on and after January 1, 1987, each blind or aged taxpayer as defined under § 63 (f) of the Internal Revenue Code shall be entitled to an additional personal exemption in the amount of \$800.

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

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

4. An additional \$1,000 deduction for each child residing for the entire taxable year in a home under permanent foster care placement as defined in § 63.2-908, provided the taxpayer can also claim the child as a personal exemption under § 151 of the Internal Revenue Code.

5. a. Effective for all taxable years beginning on or after January 1, 1996, but before January 1, 2005, a deduction in the amount of \$12,000 for taxpayers age 65 or older, or \$6,000 for taxpayers age 62 through 64.

b. For taxable years beginning on and after January 1, 2005, a deduction in the amount of \$12,000 for individuals born on or before January 1, 1940.

c. For taxable years beginning January 1, 2005, but before January 1, 2006, a deduction in the amount of \$6,000 for individuals born on or between January 2, 1941, and January 1, 1943.

d. For taxable years beginning January 1, 2006, but before January 1, 2007, a deduction in the amount of \$6,000 for individuals born on or between January 2, 1942, and January 1, 1943.

e. For taxable years beginning on and after January 1, 2005, a deduction in the amount of \$12,000 for individuals born after January 1, 1940, who have attained the age of 65. This deduction shall be reduced by \$1 for every \$2 that the taxpayer's adjusted federal adjusted gross income exceeds \$50,000 for single taxpayers or \$75,000 for married taxpayers. For married taxpayers filing separately, the deduction will be reduced by \$1 for every \$2 the total combined adjusted federal adjusted gross income of both spouses exceeds \$75,000.

f. For the purposes of this subdivision, "adjusted federal adjusted gross income" means federal adjusted gross income minus any benefits received under Title II of the Social Security Act and other benefits subject to federal income taxation solely pursuant to § 86 of the Internal Revenue Code, as amended.

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

7. a. A deduction shall be allowed to the purchaser or contributor for the amount paid or contributed during the taxable year for a prepaid tuition contract or savings trust account entered into with the Virginia College Savings Plan, pursuant to Chapter 4.9 (§ 23-38.75 et seq.) of Title 23. Except as provided in subdivision 7 c, the amount deducted on any individual income tax return in any taxable year shall be limited to \$2,000 per prepaid tuition contract or savings trust account. No deduction shall be allowed pursuant to this section if such payments or contributions are deducted on the purchaser's or contributor's federal income tax return. If the purchase price or annual contribution to a savings trust account exceeds \$2,000, the remainder may be carried forward and subtracted in future taxable years until the purchase price or savings trust contribution has been fully deducted; however, except as provided in subdivision 7 c, in no event shall the amount deducted in any taxable year exceed \$2,000



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

b. The amount paid for a prepaid tuition contract during taxable years beginning on or after January 1, 1996, but before January 1, 1998, shall be deducted in taxable years beginning on or after January 1, 1998, and shall be subject to the limitations set out in subdivision 7 a.

c. A purchaser of a prepaid tuition contract or contributor to a savings trust account who has attained age 70 shall not be subject to the limitation that the amount of the deduction not exceed \$2,000 per prepaid tuition contract or savings trust account in any taxable year. Such taxpayer shall be allowed a deduction for the full amount paid for the contract or contributed to a savings trust account, less any amounts previously deducted. If a prepaid tuition contract was purchased by such taxpayer during taxable years beginning on or after January 1, 1996, but before January 1, 1998, such taxpayer may take the deduction for the full amount paid during such years, less any amounts previously deducted with respect to such payments, in taxable year 1999 or by filing an amended return for taxable year 1998.

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

9. For taxable years beginning on and after January 1, 1999, an amount equal to 20 percent of the tuition costs incurred by an individual employed as a primary or secondary school teacher licensed pursuant to Chapter 15 (§ 22.1-289.1 et seq.) of Title 22.1 to attend continuing teacher education courses that are required as a condition of employment; however, the deduction provided by this subsection shall be available only if (i) the individual is not reimbursed for such tuition costs and (ii) the individual has not claimed a deduction for the payment of such tuition costs on his federal income tax return.

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

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

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

#### § 58.1-390.1 Definitions.

*The following words and terms, when used in this article, shall have the following meanings unless the context clearly indicates otherwise:*

"Pass-through entity" means any entity, including a limited partnership, a limited liability partnership, a general partnership, a limited liability company, a professional limited liability company, a business trust or a Subchapter S Corporation, that is recognized as a separate entity for federal income tax purposes, in which the partners, members or shareholders report their share of the income, gains, losses, deductions and credits from the entity on their federal income tax returns.

"Owner" means any individual or entity who is treated as a partner, member, or shareholder of a pass-through entity for federal income tax purposes.

#### § 58.1-390.2 Taxation of pass-through entities.

*Except as provided for in this article, owners of pass-through entities shall be liable for tax under this chapter only in their separate or individual capacities.*

§ 58.1-391. Virginia taxable income of owners of a pass-through entity.

A. In determining Virginia taxable income of a ~~partner~~ *an owner of a pass-through entity*, any modification described in § 58.1-322 ~~which~~ *that* relates to an item of ~~partnership~~ *pass-through entity* income, gain, loss or deduction shall be made in accordance with the ~~partner's~~ *owner's* distributive share, for federal income tax purposes, of the item to which the modification relates. Where a ~~partner's~~ *an owner's* distributive share of any such item is not included in any category of income, gain, loss or deduction required to be taken into account separately for federal income tax purposes, the ~~partner's~~ *owner's* distributive share of such item shall be determined in accordance with his distributive share, for federal income tax purposes, of ~~partnership~~ *pass-through entity* taxable income or loss.

B. Each item of ~~partnership~~ *pass-through entity* income, gain, loss or deduction shall have the same character for a ~~partner~~ *an owner* under this chapter as for federal income tax purposes. Where an item is



not characterized for federal income tax purposes, it shall have the same character for a partner as if realized directly from the source from which realized by the partnership pass-through entity or incurred in the same manner by the partnership pass-through entity.

C. Where a partner's owner's distributive shares of an item of partnership pass-through entity income, gain, loss or deduction is determined for federal income tax purposes by special provision in the partnership pass-through entity agreement with respect to such item, and where the principal purpose of such provision is the avoidance or evasion of tax under this chapter, the partner's owner's distributive share of such item, and any modification required with respect thereto, shall be determined as if the partnership pass-through entity agreement made no special provision with respect to such item.

§ 58.1-392. Reports by pass-through entities.

No report shall be required to be filed with the Department of Taxation by any partnership organized under the laws of the Commonwealth or having income from Virginia sources. However, the Tax Commissioner shall have the authority to promulgate regulations requiring that partnerships furnish copies of federal partnership returns and attached schedules or any other information which he deems necessary. In promulgating such regulations, the Tax Commissioner may prescribe the imposition of a penalty in the amount of \$100 for failure to comply, within a reasonable time, to the request for information as set forth therein.

A. Every pass-through entity doing business in Virginia, or having income from Virginia sources, shall make a return to the Department of Taxation on or before the fifteenth day of the fourth month following the close of its taxable year. Such returns shall be made and filed in the manner prescribed by the Department.

B. The return of a pass-through entity shall be signed by any one of the owners. An owner's name signed on the return shall be prima facie evidence that such owner is authorized to sign the return on behalf of the pass-through entity.

C. The Tax Commissioner may establish an income threshold for the filing of returns by pass-through entities and their owners. Pass-through entities and owners with income below this threshold shall not be required to file a return.

D. Receivers, trustees in dissolution, trustees in bankruptcy, and assignees operating the property or business of pass-through entities must make and file returns of income for such pass-through entities. If a receiver has full custody of and control over the business or property of a pass-through entity, he shall be deemed to be operating such business or property, whether he is engaged in carrying on the business for which the pass-through entity was organized or only in marshaling, selling, or disposing of its assets for purposes of liquidation.

E. Pass-through entities may be required to file the return using an electronic medium prescribed by the Tax Commissioner. The Tax Commissioner shall establish a minimum number of owners for the electronic filing requirement. Waivers shall be granted only if the Tax Commissioner finds that the requirement creates an unreasonable burden on the pass-through entity. All requests for waivers must be submitted to the Tax Commissioner in writing. Pass-through entities that have fewer than the established minimum number of owners may, at such pass-through entity's option, file such annual return on such prescribed electronic medium in lieu of filing the annual return on paper.

§ 58.1-393.1. Extension of time for filing return by pass-through entity.

A. Whenever any pass-through entity has been allowed or granted an extension of time within which to file any federal report of its income for any taxable year, the due date for the filing of the report or return required by this article shall be extended to the date six months after such due date, or 30 days after the extended date for filing the federal report, whichever is later.

B. In addition, the Department may grant an extension or extensions of time not to exceed a maximum of six months beyond the due date required by this article for filing such pass-through entity return.

§ 58.1-394.1. Failure of pass-through entity to make a return.

A. Any pass-through entity that fails to file a return required by this article within the time required shall be liable for a penalty of \$200 if the failure is for not more than one month, with an additional \$200 for each additional month or fraction thereof during which such failure to file continues, not exceeding six months in the aggregate. In no case, however, shall the penalty be less than \$200.

B. If any pass-through entity's failure to file a return required by this article exceeds six months, the Department shall assess a penalty of six percent of the total amount of Virginia taxable income derived by its owners from the pass-through entity for the taxable year. The Department may determine such penalty from any information in its possession. The penalty assessed pursuant to this subsection shall be reduced by the penalty assessed pursuant to subsection A and any tax paid by the owners on their share of income from the pass-through entity for the taxable year.

C. The penalties set forth in this subsection shall be assessed and collected by the Department in the manner provided for the assessment and collection of taxes under this chapter or in a civil action, at the



instance of the Department. In addition, such pass-through entity shall be compellable by mandamus to file such return.

§ 58.1-394.2. *Fraudulent returns, etc., of pass-through entities; penalty.*

A. Any officer or owner of any pass-through entity who makes a fraudulent return or statement with the intent of assisting or facilitating the evasion of the payment of the taxes prescribed by this chapter by the pass-through entity or an owner shall be liable for a penalty of not more than \$1,000, to be assessed and collected in the manner provided for the assessment and collection of taxes under this chapter or in a civil action, at the instance of the Department.

B. In addition to other penalties provided by law, any officer or owner of a pass-through entity who makes a fraudulent return or statement with the intent of assisting or facilitating the evasion of the payment of the taxes prescribed by this chapter by the pass-through entity or an owner shall be guilty of a Class 6 felony, or who willfully fails or refuses to make a return required by this chapter at the time or times required by law shall be guilty of a Class 1 misdemeanor. A prosecution under this section shall be commenced within five years next after the commission of the offense.

§ 58.1-395. *Nonresident owners.*

Pass-through entities may make written application to the Tax Commissioner for permission to file a statement of combined pass-through entity income attributable to nonresident owners and thereby relieve nonresident owners from filing individual nonresident returns. The application must state the reasons for seeking such permission. The Tax Commissioner, in his sole discretion, may, for good cause, grant permission to file a combined nonresident return upon such terms as he may determine.

§ 58.1-402. *Virginia taxable income.*

A. For purposes of this article, Virginia taxable income for a taxable year means the federal taxable income and any other income taxable to the corporation under federal law for such year of a corporation adjusted as provided in subsections B, C and D.

For a regulated investment company and a real estate investment trust, such term means the "investment company taxable income" and "real estate investment trust taxable income," respectively, to which shall be added in each case any amount of capital gains and any other income taxable to the corporation under federal law which shall be further adjusted as provided in subsections B, C and D.

B. There shall be added to the extent excluded from federal taxable income:

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

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

3. [Repealed.]

4. The amount of any net income taxes and other taxes, including franchise and excise taxes, which are based on, measured by, or computed with reference to net income, imposed by the Commonwealth or any other taxing jurisdiction, to the extent deducted in determining federal taxable income;

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

6. The amount of employee stock ownership credit carry-over deducted by the corporation in computing federal taxable income under § 404 (i) of the Internal Revenue Code;

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

8. a. For taxable years beginning on and after January 1, 2004, the amount of any interest expenses and costs and intangible expenses and costs directly or indirectly paid, accrued, or incurred to, or in connection directly or indirectly with one or more direct or indirect transactions with one or more related members to the extent such expenses and costs were deductible or deducted in computing federal taxable income for Virginia purposes. This addition shall not be required for any portion of the interest expenses and costs and intangible expenses and costs if one of the following applies:

1. The corresponding item of income received by the related member is subject to a tax based on or measured by net income imposed by Virginia, another state, or a foreign government that has entered into a comprehensive tax treaty with the United States government, or

2. The corporation can establish to the satisfaction of the Tax Commissioner that the interest expenses and costs and intangible expenses and costs meets both of the following: (i) the related member during the same taxable year directly or indirectly paid, accrued or incurred such portion to a person who is not a related member, and (ii) the transaction giving rise to the interest expenses and costs or the intangible expenses and costs between the corporation and the related member did not have as a principal purpose the avoidance of any portion of the tax due under this chapter.

b. Nothing in this subdivision shall be construed to limit or negate the Department's authority under § 58.1-446.



C. There shall be subtracted to the extent included in and not otherwise subtracted from federal taxable income:

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

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

3. Dividends upon stock in any domestic international sales corporation, as defined by § 992 of the Internal Revenue Code, 50 percent or more of the income of which was assessable for the preceding year, or the last year in which such corporation has income, under the provisions of the income tax laws of the Commonwealth.

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

5. Any amount included therein by the operation of the provisions of § 78 of the Internal Revenue Code (foreign dividend gross-up).

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

7. Any amount included therein by the operation of § 951 of the Internal Revenue Code (subpart F income).

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

9. [Repealed.]

10. The amount of any dividends received from corporations in which the taxpaying corporation owns 50 percent or more of the voting stock.

11. [Repealed.]

12. [Expired.]

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

14. For taxable years beginning on or after January 1, 1995, the amount for "qualified research expenses" or "basic research expenses" eligible for deduction for federal purposes, but which were not deducted, on account of the provisions of § 280C (c) of the Internal Revenue Code.

15. For taxable years beginning on or after January 1, 2000, the total amount actually contributed in funds to the Virginia Public School Construction Grants Program and Fund established in Chapter 11.1 (§ 22.1-175.1 et seq.) of Title 22.1.

16. For taxable years beginning on or after January 1, 2000, the gain derived from the sale or exchange of real property or the sale or exchange of an easement to real property which results in the real property or the easement thereto being devoted to open-space use, as that term is defined in § 58.1-3230, for a period of time not less than 30 years. To the extent a subtraction is taken in accordance with this subdivision, no tax credit under this chapter for donating land for its preservation shall be allowed for three years following the year in which the subtraction is taken.

17. For taxable years beginning on and after January 1, 2001, any amount included therein with respect to § 58.1-440.1.

18. For taxable years beginning on and after January 1, 1999, income received as a result of (i) the "Master Settlement Agreement," as defined in § 3.1-1106; (ii) the National Tobacco Grower Settlement Trust dated July 19, 1999; and (iii) the Tobacco Loss Assistance Program, pursuant to 7 C.F.R. Part 1464 (Subpart C, §§ 1464.201 through 1464.205), by (a) tobacco farming businesses; (b) any business holding a tobacco marketing quota, or tobacco farm acreage allotment, under the Agricultural Adjustment Act of 1938; or (c) any business having the right to grow tobacco pursuant to such a quota allotment.

19. Effective for all taxable years beginning on and after January 1, 2002, but before January 1, 2005, the indemnification payments received by contract poultry growers and table egg producers from the U.S. Department of Agriculture as a result of the depopulation of poultry flocks because of low pathogenic avian influenza in 2002. In no event shall indemnification payments made to owners of poultry who contract with poultry growers qualify for this subtraction.

20. For taxable years beginning on and after January 1, 2002, any gain recognized as a result of the Peanut Quota Buyout Program of the Farm Security and Rural Investment Act of 2002 pursuant to 7 C.F.R. Part 1412 (Subpart H, §§ 1412.801 through 1412.811) as follows:

a. If the payment is received in installment payments pursuant to 7 C.F.R. § 1412.807(a)(2), then the entire gain recognized may be subtracted.

b. If the payment is received in a single payment pursuant to 7 C.F.R. § 1412.807(a)(3), then 20



674 percent of the recognized gain may be subtracted. The taxpayer may then deduct an equal amount in  
675 each of the four succeeding taxable years.

676 D. Adjustments to federal taxable income shall be made to reflect the transitional modifications  
677 provided in § 58.1-315.

678 § 58.1-415. When sales of tangible personal property deemed in the Commonwealth.

679 Sales of tangible personal property are in the Commonwealth if (i) such property is received in the  
680 Commonwealth by the purchaser, or (ii) *the property is shipped from an office, store, warehouse,*  
681 *factory, or place of storage in the Commonwealth; and the taxpayer is not taxable in the state of the*  
682 *purchaser.* In the case of delivery by common carrier or other means of transportation, the place at  
683 which such property is ultimately received after all transportation has been completed shall be  
684 considered as the place at which such property is received by the purchaser. Direct delivery in the  
685 Commonwealth, other than for purposes of transportation, to a person or firm designated by a purchaser,  
686 constitutes delivery to the purchaser in the Commonwealth, and direct delivery outside the  
687 Commonwealth to a person or firm designated by the purchaser does not constitute delivery to the  
688 purchaser in the Commonwealth, regardless of where title passes, or other conditions of sale.

689 § 58.1-441. Reports by corporations.

690 A. Every corporation organized under the laws of the Commonwealth, or having income from  
691 Virginia sources, *other than a Subchapter S corporation subject to the return filing requirements of*  
692 *§ 58.1-392,* shall make a report to the Department on or before the fifteenth day of the fourth month  
693 following the close of its taxable year. Such reports shall be made on forms prescribed by the  
694 Department and shall contain such information, including the gross receipts from any business carried on  
695 in the Commonwealth and a depreciation schedule of property used in such trade or business, as may be  
696 necessary for the proper enforcement of this chapter and be accompanied by a copy of any federal tax  
697 return or report filed for such taxable year. The Department shall not require any nonprofit organization  
698 created exclusively to assist a law-enforcement official or agency in apprehending and convicting  
699 perpetrators of crimes, to report on such returns, or otherwise, the names of individuals or amounts paid  
700 to such individuals by the organization for providing information about certain crimes.

701 Receivers, trustees in dissolution, trustees in bankruptcy, and assignees, operating the property or  
702 business of corporations must make returns of income for such corporations. If a receiver has full  
703 custody of and control over the business or property of a corporation, he shall be deemed to be  
704 operating such business or property, whether he is engaged in carrying on the business for which the  
705 corporation was organized or only in marshaling, selling, or disposing of its assets for purposes of  
706 liquidation.

707 B. Notwithstanding the provisions of subsection A, every organization to whom subdivision 5 of  
708 § 58.1-401 applies, and having unrelated business taxable income or other taxable income, shall make a  
709 report to the Department on or before the fifteenth day of the sixth month following the close of the  
710 organization's taxable year.

711 § 58.1-603. Imposition of sales tax.

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

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

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

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

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

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

729 § 58.1-604. Imposition of use tax.

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

734 1. Of the cost price of each item or article of tangible personal property used or consumed in this  
735 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 be taxed on the basis of the current market value (but not in excess of its cost price) of such property at the time of its first use within this Commonwealth. Such tax shall be based on such proportion of the cost price or current market value as the duration of time of use within this Commonwealth bears to the total useful life of such property (but it shall be presumed in all cases that such property will remain within this Commonwealth for the remainder of its useful life unless convincing evidence is provided to the contrary).

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

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

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

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

§ 58.1-604.1. Use tax on motor vehicles, machinery, tools and equipment brought into Virginia for use in performing contracts.

In addition to the use tax levied pursuant to § 58.1-604 and notwithstanding the provisions of § 58.1-611, a use tax is levied upon the storage or use of all motor vehicles, machines, machinery, tools or other equipment brought, imported or caused to be brought into this Commonwealth for use in constructing, building or repairing any building, highway, street, sidewalk, bridge, culvert, sewer or water system, drainage or dredging system, railway system, reservoir or dam, hydraulic or power plant, transmission line, tower, dock, wharf, excavation, grading, or other improvement or structure, or any part thereof. The rate of tax is ~~threefour~~ and one-half percent on all tangible personal property except motor vehicles, which shall be taxed at the rate of three percent; aircraft, which shall be taxed at the rate of two percent; and watercraft, which shall be taxed at the rate of two percent with a maximum tax of \$1,000.

For purposes of this section the words "motor vehicle" means any vehicle which is self-propelled and designed primarily for use upon the highways, any vehicle which is propelled by electric power obtained from trolley wires but not operated upon rails, and any vehicle designed to run upon the highways which is pulled by a self-propelled vehicle, but shall not include any implement of husbandry, farm tractor, road construction or maintenance machinery or equipment, special mobile equipment or any vehicle designed primarily for use in work off the highway.

The tax shall be computed on the basis of such proportion of the original purchase price of such property as the duration of time of use in this Commonwealth bears to the total useful life thereof. For purposes of this section, the word "use" means use, storage, consumption and "stand-by" time occasioned by weather conditions, controversies or other causes. The tax shall be computed upon the basis of the relative time each item of equipment is in this Commonwealth rather than upon the basis of actual use. In the absence of satisfactory evidence as to the period of use intended in this Commonwealth, it will be presumed that such property will remain in this Commonwealth for the remainder of its useful life, which shall be determined in accordance with the experiences and practices of the building and construction trades.

A transaction taxed under §§ 58.1-604, 58.1-605, 58.1-1402, 58.1-1502, or § 58.1-2402 shall not also be taxed under this section, nor shall the same transaction be taxed more than once under any section.

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

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

1. From January 1, 2000, through ~~March 31, 2001~~June 30, 2004, the tax rate on such food shall be three percent of the gross sales price. The revenue from the tax shall be distributed as follows: (i) the revenue from the tax at the rate of one-half percent shall be distributed as provided in subsection A of § 58.1-638, (ii) the revenue from the tax at the rate of one percent shall be distributed as provided in subsections B, C and D of § 58.1-638, and (iii) the revenue from the tax at the rate of one and one-half percent shall be used for general fund purposes.

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



797 subsections B, C and D of § 58.1-638, and (iii) the revenue from the tax at the rate of one percent shall  
798 be used for general fund purposes.

799 32. From April 1, 2002 July 1, 2004, through March 31, 2003 June 30, 2005, the tax rate on such  
800 food shall be two percent of the gross sales price. The revenue from the tax shall be distributed as  
801 follows: (i) the revenue from the tax at the rate of one-half percent shall be distributed as provided in  
802 subsection A of § 58.1-638, (ii) the revenue from the tax at the rate of one percent shall be distributed  
803 as provided in subsections B, C and D of § 58.1-638, and (iii) the revenue from the tax at the rate of  
804 one-half percent shall be used for general fund purposes.

805 43. On and after April 1, 2003 July 1, 2005, the tax rate on such food shall be one and one-half  
806 percent of the gross sales price. The revenue from the tax shall be distributed as follows: (i) the revenue  
807 from the tax at the rate of one-half percent shall be distributed as provided in subsection A of  
808 § 58.1-638 and (ii) the revenue from the tax at the rate of one percent shall be distributed as provided in  
809 subsections B, C and D of § 58.1-638.

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

812 C. As used in this section, "food purchased for human consumption" has the same meaning as "food"  
813 defined in the Food Stamp Act of 1977, 7 U.S.C. § 1012, as amended, and federal regulations adopted  
814 pursuant to that Act, except it shall not include seeds and plants which produce food for human  
815 consumption. For the purpose of this section, "food purchased for human consumption" shall not include  
816 food sold by any retail establishment where the gross receipts derived from the sale of food prepared by  
817 such retail establishment for immediate consumption on or off the premises of the retail establishment  
818 constitutes more than 80 percent of the total gross receipts of that retail establishment, including but not  
819 limited to motor fuel purchases, regardless of whether such prepared food is consumed on the premises  
820 of that retail establishment. For purposes of this section, "retail establishment" means each place of  
821 business for which any "dealer," as defined in § 58.1-612, is required to apply for and receive a  
822 certificate of registration pursuant to § 58.1-613.

823 D. Notwithstanding the tax rates set forth in subsection A, the rate of tax on sales of food purchased  
824 for human consumption for any 12-month period beginning on or after April 1, 2001, shall not be  
825 reduced below the rate then in effect for the Commonwealth's current fiscal year if:

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

830 2. Any of the events listed in subsection C of § 58.1-3524 or subsection B of § 58.1-3536 have  
831 occurred during the then current fiscal year.

832 E. If the tax rate on food purchased for human consumption remains the same for the period January  
833 1, 2000, through March 31, 2001, and the subsequent 12-month period beginning on April 1, 2001, or  
834 with respect to any consecutive 12-month periods beginning on and after April 1, 2001, the tax rate on  
835 such food shall remain the same unless none of the conditions described in subsection D have occurred;  
836 in which event the tax rate on food purchased for human consumption for the immediately following  
837 12-month period shall be equal to the next lowest tax rate listed in subsection A.

838 § 58.1-614. Vending machine sales.

839 A. Notwithstanding the provisions of §§ 58.1-603 and 58.1-604, whenever a dealer makes sales of  
840 tangible personal property through vending machines, or in any other manner making collection of the  
841 tax impractical, as determined by the Tax Commissioner, such dealer shall be required to report his  
842 wholesale purchases for sale at retail from vending machines and shall be required to remit an amount  
843 based on four five and one-half percent of such wholesale purchases.

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

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

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

856 E. The provisions of this section shall not be applicable to any dealer who fails to maintain records  
857 satisfactory to the Tax Commissioner. A dealer making sales of tangible personal property through  
858 vending machines shall obtain a certificate of registration under § 58.1-613 in relevant form for each



county or city in which he has machines.

§ 58.1-615. Returns by dealers.

A. Every dealer required to collect or pay the sales or use tax shall, on or before the twentieth day of the month following the month in which the tax shall become effective, transmit to the Tax Commissioner a return showing the gross sales, gross proceeds, or cost price, as the case may be, arising from all transactions taxable under this chapter during the preceding calendar month, and thereafter a like return shall be prepared and transmitted to the Tax Commissioner by every dealer on or before the twentieth day of each month, for the preceding calendar month. In the case of dealers regularly keeping books and accounts on the basis of an annual period which varies fifty-two to fifty-three weeks, the Tax Commissioner may make rules and regulations for reporting consistent with such accounting period.

Notwithstanding any other provision of this chapter, a dealer may be required by the Tax Commissioner to file sales or use tax returns on an accounting period less frequent than monthly when, in the opinion of the Tax Commissioner, the administration of the taxes imposed by this chapter would be enhanced. If a dealer is required to file other than monthly, each such return shall be due on or before the twentieth day of the month following the close of the period. Each such return shall contain all information required for monthly returns.

A sales or use tax return shall be filed by each registered dealer even though the dealer is not liable to remit to the Tax Commissioner any tax for the period covered by the return.

B. 1. In addition to the amounts required under the provisions of this section and § 58.1-616, any dealer as defined by § 58.1-612 or direct payment permit holder pursuant to § 58.1-624, with taxable sales and purchases of \$1,300,000 or greater for the twelve-month period beginning July 1, and ending June 30 of the immediately preceding calendar year, shall be required to make a payment equal to 90 percent of the sales and use tax liability for the previous June. Such tax payments shall be made on or before the 30th day of June, if payment is made by electronic funds transfer, as defined in § 58.1-202.1. If payment is made by other than electronic funds transfer, such payment shall be made on or before the 25th day of June. For purposes of this provision, taxable sales or purchases shall be computed without regard to the number of certificates of registration held by the dealer. Every dealer or direct payment permit holder shall be entitled to a credit for the payment under this subsection on the return for June of the current year due July 20. The provisions of this subsection shall not apply to persons who are required to file only a Form ST-7, Consumer User Tax Return.

2. In lieu of the penalties provided in § 58.1-635, except with respect to fraudulent returns, failure to make a timely payment or full payment of the sales and use tax liability as provided in this subsection shall subject the dealer or direct payment permit holder to a penalty of six percent of the amount of tax underpayment that should have been properly paid to the Tax Commissioner. Interest will accrue as provided in § 58.1-15. The payment required by this subsection shall become delinquent on the first day following the due date set forth in this subsection if not paid.

3. *This subsection shall be effective until June 1, 2005.*

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

The following brackets of prices shall be used for the collection of the tax imposed by this chapter:

\$0.00	to	<del>\$0.14</del>	.11	no tax
<del>.15</del>	.12	to	<del>.42</del>	.33
<del>.43</del>	.34	to	<del>.71</del>	.55
<del>.72</del>	.56	to	<del>.99</del>	.77
<del>1.00</del>	.78	to	<del>1.28</del>	.99
<del>1.29</del>	1.00	to	<del>1.57</del>	1.22
<del>1.58</del>	1.23	to	<del>1.85</del>	1.44
<del>1.86</del>	1.45	to	<del>2.14</del>	1.66
<del>2.15</del>	1.67	to	<del>2.42</del>	1.88
<del>2.43</del>	1.89	to	<del>2.71</del>	2.11



919					
920	<del>2.72</del> 2.12	to	<del>2.99</del> 2.33	10¢ tax	
921					
922	<del>3.00</del> 2.34	to	<del>3.28</del> 2.55	11¢ tax	
923					
924	<del>3.29</del> 2.56	to	<del>3.57</del> 2.77	12¢ tax	
925					
926	<del>3.58</del> 2.78	to	<del>3.85</del> 2.99	13¢ tax	
927					
928	<del>3.86</del> 3.00	to	<del>4.14</del> 3.22	14¢ tax	
929					
930	<del>4.15</del> 3.23	to	<del>4.42</del> 3.44	15¢ tax	
931					
932	<del>4.43</del> 3.45	to	<del>4.71</del> 3.66	16¢ tax	
933					
934	<del>4.72</del> 3.67	to	<del>5.00</del> 3.88	17¢ tax	
935					
936	<del>3.89</del>	to	<del>4.11</del>	18¢ tax	
937					
938	<del>4.12</del>	to	<del>4.33</del>	19¢ tax	
939					
940	<del>4.34</del>	to	<del>4.55</del>	20¢ tax	
941					
942	<del>4.56</del>	to	<del>4.77</del>	21¢ tax	
943					
944	<del>4.78</del>	to	<del>5.00</del>	22¢ tax	
945					

946 On transactions ~~over five dollars~~ *greater than \$5*, the tax shall be computed at ~~three~~ *four* and  
 947 one-half percent, one-half cent or more being treated as one cent. If a dealer can show to the satisfaction  
 948 of the Tax Commissioner that more than ~~eighty-five~~ 85 percent of the total dollar volume of his gross  
 949 taxable sales during the taxable month was from individual sales at prices of ten cents or less each, and  
 950 that he was unable to adjust his prices in such manner as to prevent the economic incidence of the sales  
 951 tax from falling on him, the Tax Commissioner shall determine the proper tax liability of the dealer  
 952 based on that portion of the dealer's gross taxable sales which was from sales at prices of eleven cents  
 953 or more.

954 § 58.1-628. Bracket system for combined state and local tax.

955 The following brackets of prices shall be used for the collection of the combined state and local tax:

956	\$0.00	to	<del>\$0.11</del> 0.09	no tax	
957					
958	<del>.12</del> .10	to	<del>.33</del> .27	1¢ tax	
959					
960	<del>.34</del> .28	to	<del>.55</del> .45	2¢ tax	
961					
962	<del>.56</del> .46	to	<del>.77</del> .63	3¢ tax	
963					
964	<del>.78</del> .64	to	<del>.99</del> .81	4¢ tax	
965					
966	<del>1.00</del> .82	to	<del>1.22</del> .99	5¢ tax	
967					
968	<del>1.23</del> 1.00	to	<del>1.44</del> 1.18	6¢ tax	
969					
970	<del>1.45</del> 1.19	to	<del>1.66</del> 1.36	7¢ tax	
971					
972	<del>1.67</del> 1.37	to	<del>1.88</del> 1.54	8¢ tax	
973					
974	<del>1.89</del> 1.55	to	<del>2.11</del> 1.72	9¢ tax	
975					



976	<del>2.12</del> 1.73	to	<del>2.33</del> 1.90	10¢ tax
977				
978	<del>2.34</del> 1.91	to	<del>2.55</del> 2.09	11¢ tax
979				
980	<del>2.56</del> 2.10	to	<del>2.77</del> 2.27	12¢ tax
981				
982	<del>2.78</del> 2.28	to	<del>2.99</del> 2.45	13¢ tax
983				
984	<del>3.00</del> 2.46	to	<del>3.22</del> 2.63	14¢ tax
985				
986	<del>3.23</del> 2.64	to	<del>3.44</del> 2.81	15¢ tax
987				
988	<del>3.45</del> 2.82	to	<del>3.66</del> 2.99	16¢ tax
989				
990	<del>3.67</del> 3.00	to	<del>3.88</del> 3.18	17¢ tax
991				
992	<del>3.89</del> 3.19	to	<del>4.11</del> 3.36	18¢ tax
993				
994	<del>4.12</del> 3.37	to	<del>4.33</del> 3.54	19¢ tax
995				
996	<del>4.34</del> 3.55	to	<del>4.55</del> 3.72	20¢ tax
997				
998	<del>4.56</del> 3.73	to	<del>4.77</del> 3.90	21¢ tax
999				
1000	<del>4.78</del> 3.91	to	<del>5.00</del> 4.09	22¢ tax
1001				
1002	4.10	to	4.27	23¢ tax
1003				
1004	4.28	to	4.45	24¢ tax
1005				
1006	4.46	to	4.63	25¢ tax
1007				
1008	4.64	to	4.81	26¢ tax
1009				
1010	4.82	to	5.00	27¢ tax

On transactions ~~over five dollars~~ *greater than \$5*, the tax shall be computed at ~~four~~ *five* and one-half percent, one half cent or more being treated as one cent. The foregoing bracket system shall not relieve the dealer from the duty and liability to remit an amount equal to ~~four~~ *five* and one-half percent of his gross taxable sales as provided in this chapter. If the dealer, however, can show to the satisfaction of the Tax Commissioner that more than eighty-five percent of the total dollar volume of his gross taxable sales during the taxable month was from individual sales at prices of ten cents or less each and that he was unable to adjust his prices in such manner as to prevent the economic incidence of the sales tax from falling on him, the Tax Commissioner shall determine the proper tax liability of the dealer based on that portion of the dealer's gross taxable sales which was from sales at prices of eleven cents or more.

§ 58.1-639. Transitional provisions.

A. To the extent of any increase in the state sales and use tax rate enacted by the ~~1986 Special~~ *2004* Session of the Virginia General Assembly, the Tax Commissioner, upon application of the purchaser in accordance with regulations promulgated by the Commissioner, shall have the authority to refund state sales or use taxes paid on purchases of tangible personal property made pursuant to bona fide real estate construction contracts, contracts for the sale of tangible personal property, and leases, provided that the real estate construction contract, contract for the sale of tangible personal property or lease is entered into prior to the date of enactment of the increase of the state sales and use tax rate; and further provided that the date of delivery of the tangible personal property is on or before ~~March 30, 1987~~ *September 30, 2004*. The term "bona fide contract," when used in this section in relation to real estate construction contracts, shall include but not be limited to those contracts which are entered into prior to the enactment of the increase in the state sales and use tax rate, provided that such contracts include



1034 plans and specifications.

1035 B. Notwithstanding the foregoing ~~March 30, 1987~~ *September 30, 2004*, delivery date requirement,  
1036 with respect to bona fide real estate construction contracts which contain a specific and stated date of  
1037 completion, the date of delivery of such tangible personal property shall be on or before the completion  
1038 date of the applicable project.

1039 C. Applications for refunds pursuant to this section shall be made in accordance with the provisions  
1040 of § 58.1-1823. Interest computed in accordance with § 58.1-1833 shall be added to the tax refunded  
1041 pursuant to this section.

1042 § 58.1-901. Definitions.

1043 As used in this chapter, unless the context clearly shows otherwise, the term or phrase:

1044 "Decedent" means a deceased person.

1045 "Federal credit" means the maximum amount of the credit for state death taxes allowable by § 2011  
1046 of the United States Internal Revenue Code of 1954, as amended or renumbered, or successor provision,  
1047 in respect to a decedent's taxable estate. The term "maximum amount" shall be construed as to take full  
1048 advantage of such credit as the laws of the United States may allow. In no event, however, shall such  
1049 amount be less than the federal credit allowable by § 2011 of the Internal Revenue Code as it existed on  
1050 January 1, 1978.

1051 "Gross estate" means "gross estate" as defined in § 2031 of the United States Internal Revenue Code  
1052 of 1954, as amended or renumbered, or the successor provision of the laws of the United States.

1053 *"Interest in a closely held business" means an "interest in a closely held business" as defined in*  
1054 *§ 6166 of the United States Internal Revenue Code of 1986, as amended or renumbered, or the*  
1055 *successor provision of the laws of the United States.*

1056 "Nonresident" means a decedent who was domiciled outside of the Commonwealth of Virginia at his  
1057 death.

1058 "Personal representative" means the personal representative of the estate of the decedent, appointed,  
1059 qualified and acting within the Commonwealth, or, if there is no personal representative appointed,  
1060 qualified and acting within the Commonwealth, then any person in actual or constructive possession of  
1061 the Virginia gross estate of the decedent.

1062 "Resident" means a decedent who was domiciled in the Commonwealth of Virginia at his death.

1063 "State" means any state, territory or possession of the United States and the District of Columbia.

1064 "Taxable estate" means "taxable estate" as defined in § 2051 of the United States Internal Revenue  
1065 Code of 1954, as amended or renumbered, or the successor provision of the laws of the United States.

1066 "Value" means "value" as finally determined for federal estate tax purposes under the laws of the  
1067 United States relating to federal estate taxes.

1068 *"Working farm" means an interest in a closely held business that operates as an active trade or*  
1069 *business for agricultural purposes.*

1070 Any reference in this chapter to the laws of the United States relating to federal estate and gift taxes  
1071 means the provisions of the Internal Revenue Code of 1954, and amendments thereto, and other  
1072 provisions of the laws of the United States relating to federal estate and gift taxes, as the same may be  
1073 or become effective at any time or from time to time.

1074 § 58.1-902. Tax on transfer of taxable estate of residents; amounts; credit; property of resident  
1075 defined.

1076 A. 1. *For deaths occurring before January 1, 2004, A* a tax in the amount of the federal credit is  
1077 imposed on the transfer of the taxable estate of every resident, subject, where applicable, to the credit  
1078 provided for in subsection B.

1079 2. *For deaths occurring on or after January 1, 2004, a tax in the amount of the federal credit is*  
1080 *imposed on the transfer of the taxable estate of every resident whose gross estate exceeds \$10 million,*  
1081 *subject, where applicable, to the credit provided for in subsection B. However, no tax shall be imposed*  
1082 *on a gross estate if the majority of the assets of the total estate are an interest in a closely held*  
1083 *business or a working farm.*

1084 B. If the real and tangible personal property of a resident is located outside of the Commonwealth  
1085 and is subject to a death tax imposed by another state for which a credit is allowed under § 2011 of the  
1086 Internal Revenue Code of 1954, as amended or renumbered, or the successor provision of the laws of  
1087 the United States relating to federal estate taxes, the amount of tax due under this section shall be  
1088 credited with the lesser of:

1089 1. The amount of the death tax paid the other state and credited against the federal estate tax; or

1090 2. An amount computed by multiplying the federal credit by a fraction, the numerator of which is the  
1091 value of that part of the gross estate over which another state or states have jurisdiction to the same  
1092 extent to which Virginia would exert jurisdiction under this chapter with respect to the residents of such  
1093 other state or states and the denominator of which is the value of the decedent's gross estate.

1094 C. Property of a resident includes:

1095 1. Real property situated in the Commonwealth of Virginia;



2. Tangible personal property having an actual situs in the Commonwealth of Virginia; and  
 3. Intangible personal property owned by the resident regardless of where it is located.  
 § 58.1-1001. Tax levied; rate.

A. 1. In addition to all other taxes now imposed by law, every person within this Commonwealth who sells, stores or receives cigarettes made of tobacco or any substitute thereof, for the purpose of distribution to any person within this Commonwealth, shall pay to this Commonwealth an excise tax of one and one-quarter mills on each such cigarette *sold, stored or received before July 1, 2004; an excise tax of 1.25 cents on each such cigarette sold, stored or received on and after July 1, 2004.*

2. *The revenues generated by such tax on and after July 1, 2004, shall be collected by the Department and deposited into the Virginia Health Care Fund as defined in § 32.1-366.*

B. *The Tax Commissioner shall establish guidelines and rules for the transitional procedures regarding the imposition of the increased cigarette tax rate under this section. The guidelines and rules issued by the Tax Commissioner regarding the imposition of the increased cigarette tax rate shall be exempt from the Administrative Process Act (§ 2.2-4000 et seq.).*

§ 58.1-3524. Reimbursement of tangible personal property taxes; deduction on tangible personal property tax bills.

A. For tax year 1998, the Commonwealth shall directly reimburse taxpayers, for tangible personal property tax levies paid on any qualifying vehicle, a percentage of the reimbursable amount determined pursuant to subdivision B 1, as provided in § 58.1-3525. For tax year 1999 and tax years thereafter, the Commonwealth shall pay to treasurers a percentage of the reimbursable amount determined pursuant to subdivisions B 2 through B 5 B 8 on any qualifying vehicle, as provided in § 58.1-3526.

B. Subject to the conditions of subsections C and D, the amount of the reimbursement to taxpayers for tax year 1998 and the amount of the payments to treasurers for tax years after 1998 shall be 100 percent for qualifying vehicles with a value of one thousand dollars or less and for each qualifying vehicle with a value of more than one thousand dollars shall be as follows:

Percentage Level

- |                                       |                                    |
|---------------------------------------|------------------------------------|
| 1. For any tax year beginning in      | 12.5 percent of the reimbursable   |
| calendar year 1998 amount             | for each qualifying vehicle        |
| 2. For any tax year beginning in      | 27.5 percent of the reimbursable   |
| calendar year 1999                    | amount for each qualifying         |
|                                       | vehicle                            |
| 3. For any tax year beginning in      | 47.5 percent of the reimbursable   |
| calendar year 2000                    | amount for each qualifying         |
|                                       | vehicle                            |
| 4. For any tax <del>year</del> years  | 70 percent of the reimbursable     |
| beginning in calendar year            | amount for each qualifying         |
| 2001, 2002, 2003, and 2004            | vehicle                            |
| 5. For any tax year beginning in      | <del>100</del> 77.5 percent of the |
| calendar year <del>2002 and tax</del> | reimbursable amount for each       |



1154 ~~years thereafter 2005~~ qualifying vehicle  
 1155  
 1156  
 1157 6. For any tax year beginning in 85 percent of the reimbursable  
 1158  
 1159 calendar year 2006 amount for each qualifying  
 1160  
 1161 vehicle  
 1162  
 1163  
 1164 7. For any tax year beginning in 92.5 percent of the reimbursable  
 1165  
 1166 calendar year 2007 amount for each qualifying  
 1167  
 1168 vehicle  
 1169  
 1170  
 1171 8. For any tax year beginning in 100 percent of the reimbursable  
 1172  
 1173 calendar year 2008 and tax amount for each qualifying  
 1174  
 1175 years thereafter vehicle  
 1176

1177 C. Notwithstanding the schedule set forth in subsection B, the percentage level for each qualifying  
 1178 vehicle to be paid by the Commonwealth for a tax year shall not be increased at the beginning of any  
 1179 calendar year above the percentage level paid by the Commonwealth in the preceding tax year if:

1180 1. Actual general fund revenues for a fiscal year, including transfers, are less than the projected  
 1181 general fund revenues, as reported in the general appropriation act in effect at that time, by one-half of  
 1182 one percent or more of the amount of actual general fund revenues for such fiscal year;

1183 2. The general fund revenue forecast provided by the Governor in December pursuant to § 2.2-1503  
 1184 indicates that general fund revenues, excluding transfers, for any fiscal year will be less than five  
 1185 percent greater than general fund revenues for the immediately preceding fiscal year; or

1186 3. The general fund revenue forecast provided by the Governor in December pursuant to § 2.2-1503  
 1187 indicates that total general fund revenues available for appropriation, including transfers, for either of the  
 1188 fiscal years covered by the general appropriation act in effect at that time will be less than the general  
 1189 fund appropriations for such fiscal year or years.

1190 D. If the percentage level remains the same for consecutive tax years, the percentage level to be used  
 1191 in the following tax year shall remain the same unless none of the conditions described in subsection C  
 1192 have occurred, in which event the amount to be paid by the Commonwealth for the immediately  
 1193 following tax year shall be equal to the next highest percentage amount listed in subsection B.

1194 E. An amount equal to the percentage of the reimbursable amount as determined under subdivisions  
 1195 B 2 through B 8 shall appear as a deduction on the tangible personal property tax bill for qualifying  
 1196 vehicles, as provided by subsection E of § 58.1-3912.

1197 1. In the event the General Assembly changes the percentage of the reimbursable amount as  
 1198 described under subsection B for the current tax year and a locality has already printed its tangible  
 1199 personal property tax bills for qualifying vehicles for the year that the percentage is changed, the  
 1200 following procedures shall apply:

1201 a. If the percentage of the reimbursable amount is decreased for the current tax year and the taxpayer  
 1202 has paid the assessment, the locality may (i) levy an additional amount for the amount of the difference  
 1203 between the percentage of the reimbursable amount for the tax year reflected on the original assessment  
 1204 and the percentage of the reimbursable amount for the tax year as modified by the General Assembly in  
 1205 the current year or (ii) carry forward the additional levy and include it on the subsequent tax bill,  
 1206 provided such levy is not subject to penalty and interest.

1207 b. If the percentage of the reimbursable amount is increased for the current tax year and the taxpayer  
 1208 has paid the assessment, the locality shall issue a refund to the taxpayer for the amount of the difference  
 1209 between the percentage of the reimbursable amount for the tax year reflected on the original assessment  
 1210 and the percentage of the reimbursable amount for the tax year as modified by the General Assembly in  
 1211 the current tax year. Such refunds shall be issued by the treasurer no later than thirty days after receipt  
 1212 of the payment from the Commonwealth pursuant to § 58.1-3526.

1213 2. In the event the General Assembly changes the percentage of the reimbursable amount as



described under subsection B before a locality has printed its tangible personal property tax bills for qualifying vehicles, the following procedures shall apply:

a. If the percentage of the reimbursable amount is decreased for the current tax year, the locality may adjust each taxpayer's tangible personal property tax bill to reflect the changes made by the General Assembly to the percentage of the reimbursable amount.

b. If the percentage of the reimbursable amount is increased for the current tax year, the locality shall adjust each taxpayer's tangible personal property tax bill to reflect the changes made by the General Assembly to the percentage of the reimbursable amount.

§ 58.1-3526. Payment to treasurers for tax year 1999 and thereafter.

A. For tax year 1999 and tax years thereafter, the Commonwealth shall pay to treasurers the amount specified in subdivisions B 2 through ~~B 5~~ B 8 of § 58.1-3524 for each qualifying vehicle, if the conditions of this section are satisfied.

B. As provided by subsection E of § 58.1-3912, the treasurer shall include such amount as a deduction on the face of tangible personal property tax bills for qualifying vehicles and shall clearly designate such deduction as an amount to be paid by the Commonwealth. In addition to tangible personal property taxes levied on property other than qualifying vehicles, the taxpayer shall pay to the treasurer any payment due for the difference between tangible personal property taxes levied on a qualifying vehicle and such deduction. On or before the date the certified personal property tax book is required by § 58.1-3118 to be provided to the treasurer, the commissioner of the revenue shall identify each qualifying vehicle and its value to the treasurer of the locality.

C. Except as provided by subsection B of § 58.1-3528, upon full payment of the tangible personal property tax levied on a qualifying vehicle, less the amount of the deduction, as described in subsection B of this section, the treasurer shall make a request to the Commonwealth for payment of the amount equal to the amount specified in subdivisions B 2 through ~~B 5~~ B 8 of § 58.1-3524 for the qualifying vehicle. Such request shall include a summary of the information appearing on the related tangible personal property tax bill. The summary information to be included in the request and the form of such request shall be prescribed by the Comptroller. Upon receipt of such information, the Comptroller shall issue the proper warrant for payment by the State Treasurer. If the Comptroller determines that a treasurer is unable to provide the summary information, he shall issue a warrant for payment to such treasurer in an amount equal to the estimate made by the Department under § 58.1-3529. Provided that the request for payment is received by the deadlines established and in the format prescribed by the Comptroller, he shall issue the warrant for payment no later than two business days after the receipt of the request from the treasurer.

D. 1. If a taxpayer is required to make a payment for the difference between the tangible personal property tax levied on a qualifying vehicle and the deduction as described in subsection B, the amount as determined under subdivisions B 2 through ~~B 5~~ B 8 of § 58.1-3524 for such qualifying vehicle shall be paid by the Commonwealth to the treasurer at such times as are consistent with the treasurer's receipt of tangible personal property tax payments on qualifying vehicles as of January 1, 1998.

2. Except as provided in subdivision D 3, if a taxpayer is not required to return to the treasurer any payment of tangible personal property tax for a qualifying vehicle, the amount as determined under subdivisions B 2 through ~~B 5~~ B 8 of § 58.1-3524 for such qualifying vehicle shall be paid by the Commonwealth to the treasurer over a four-week period. There shall be one equal payment in each week. The first payment shall be made four weeks prior to the county, city, or town's due date for tangible personal property taxes on qualifying vehicles as of January 1, 1998. However, the Comptroller shall not issue a warrant for payment unless he has received the certification described in § 58.1-3916.01.

3. If (i) a taxpayer is not required to return to the treasurer any payment of tangible personal property tax for a qualifying vehicle and (ii) the tangible personal property tax levy on such vehicle has been made as authorized under § 58.1-3516, the amount as determined under subdivisions B 2 through ~~B 5~~ B 8 of § 58.1-3524 for such qualifying vehicle shall be paid by the Commonwealth to the treasurer at such times as are consistent with the treasurer's receipt of tangible personal property tax payments on qualifying vehicles as of January 1, 1998.

E. In addition to the summary information described in subsection C, the treasurer shall provide any additional information related to qualifying vehicles to the Department. Such additional information shall be prescribed in the guidelines promulgated under § 58.1-3532.

§ 58.1-3528. Interest; Commonwealth to make payments when taxes paid in full.

A. Payments to taxpayers and treasurers under this chapter shall not include interest.

B. The Commonwealth shall not make the reimbursement to a taxpayer, as provided under § 58.1-3525, unless the tangible personal property taxes for the related qualifying vehicle have been paid in full.

C. The Commonwealth shall not make the reimbursement to a treasurer, as provided under



1275 subsection C of § 58.1-3526, unless the tangible personal property taxes for the related qualifying  
1276 vehicle, if in excess of five dollars, have been paid in full.

1277 D. Notwithstanding the provisions of subsections B and C of this section, if a county, city, or town  
1278 has entered into an agreement with a taxpayer under which such taxpayer is allowed to satisfy the  
1279 tangible personal property tax liability on a qualifying vehicle in installment payments, due to financial  
1280 hardship, the Commonwealth shall pay the respective amount specified in subdivisions B 2 through B 5  
1281 B 8 of § 58.1-3524 for such vehicle to the treasurer if the taxpayer has paid at least fifty percent of such  
1282 tangible personal property tax liability.

1283 § 58.1-3531. Full payment of tangible personal property tax on qualifying vehicles not made.

1284 Beginning in tax year 1999, notwithstanding any other provision of law, general and special,  
1285 including the provisions of the charter of any county, city, or town:

1286 1. If a taxpayer fails to make the payment described in subsection B of § 58.1-3526 by its due date  
1287 or fails to comply with the filing requirements for qualifying vehicles under §§ 58.1-3518 and  
1288 58.1-3518.1, no interest may be imposed on any amount to be paid by the Commonwealth as  
1289 determined under subdivisions B 2 through B 5 B 8 of § 58.1-3524. In calculating penalties to be  
1290 imposed on the taxpayer for failure to make the payment described in subsection B of § 58.1-3526 by  
1291 its due date or for failure of the taxpayer to comply with the filing requirements for qualifying vehicles  
1292 under §§ 58.1-3518 and 58.1-3518.1, the treasurer may take into consideration the full amount of the  
1293 tangible personal property tax levied including any amount to be paid by the Commonwealth as  
1294 determined under subdivisions B 2 through B 5 B 8 of § 58.1-3524 and any other relevant information.

1295 2. If a taxpayer (i) fails to comply with the filing requirements for a qualifying vehicle under  
1296 §§ 58.1-3518 and 58.1-3518.1 and (ii) is not required to return to the treasurer any payment of tangible  
1297 personal property tax for such vehicle, no new or replacement local motor vehicle license for such  
1298 vehicle, as described in Article 11 (§ 46.2-750 et seq.) of Chapter 6 of Title 46.2 shall be issued until  
1299 the taxpayer complies with such filing requirements.

1300 § 58.1-3830. Local taxes not prohibited; use of dual die or stamp to evidence payment of both  
1301 county, city, or town and state tax on cigarettes.

1302 A. *All counties, cities and towns shall have the power to levy taxes upon the sale or use of*  
1303 *cigarettes.* No provision of Chapter 10 (§ 58.1-1000 et seq.) of this title shall be construed to deprive  
1304 counties, cities and towns of the right to levy taxes upon the sale or use of cigarettes; ~~provided such~~  
1305 ~~county, city or town had such power prior to January 1, 1977.~~ The governing body of any county, city  
1306 or town which levies a cigarette tax and permits the use of meter impressions or stamps to evidence its  
1307 payment may authorize an officer of the county, city or town or joint enforcement authority to enter into  
1308 an arrangement with the Department of Taxation under which a tobacco wholesaler who so desires may  
1309 use a dual die or stamp to evidence the payment of both the county, city, or town tax, and the state tax,  
1310 and the Department is hereby authorized to enter into such an arrangement. The procedure under such  
1311 an arrangement shall be such as may be agreed upon by and between the authorized county, city, town  
1312 or joint enforcement authority officer and the Department.

1313 B. Any county cigarette tax imposed shall not apply within the limits of any town located in such  
1314 county where such town now, or hereafter, imposes a town cigarette tax. However, if the governing  
1315 body of any such town shall provide that a county cigarette tax, as well as the town cigarette tax, shall  
1316 apply within the limits of such town, then such cigarette tax may be imposed by the county within such  
1317 town *so long as the sum of the county and town cigarette tax rates does not exceed the maximum local*  
1318 *cigarette tax rate authorized for the town under this article.*

1319 C. *Any cigarette tax imposed by a county, city or town shall be on such terms and in such amounts*  
1320 *as the governing body may by ordinance prescribe, subject to the following limitations:*

1321 1. *From July 1, 2004, through June 30, 2005, the local cigarette tax rate may not exceed one cent*  
1322 *on each cigarette. Any locality imposing the tax at a higher rate prior to December 1, 2003, may*  
1323 *continue to impose the tax at that rate but no higher.*

1324 2. *From July 1, 2005, through June 30, 2006, the local cigarette tax rate may not exceed one and*  
1325 *three-quarter cents on each cigarette. Any locality imposing the tax at a higher rate prior to December*  
1326 *1, 2003, may continue to impose the tax at that rate but no higher.*

1327 3. *On and after July 1, 2006, the local cigarette tax rate may not exceed 2.5 cents on each cigarette.*  
1328 *Any locality imposing the tax at a higher rate prior to December 1, 2003, may continue to impose the*  
1329 *tax at that rate but no higher.*

1330 § 58.1-3833. County food and beverage tax.

1331 A. Any county is hereby authorized to levy a tax on food and beverages sold, for human  
1332 consumption, by a restaurant, as such term is defined in subdivision 9 of § 35.1-1, not to exceed ~~eight~~  
1333 ~~and one-half percent, when added to the state and local general sales and use tax, four percent~~ of the  
1334 amount charged for such food and beverages. Such tax shall not be levied on food and beverages sold  
1335 through vending machines or by any person described in subdivisions 1, 2, 3, and 5 of § 35.1-25, as  
1336 well as nonprofit cafeterias in public schools, nursing homes, and hospitals. Grocery stores and



convenience stores selling prepared foods ready for human consumption at a delicatessen counter shall be subject to the tax, for that portion of the grocery store or convenience store selling such items.

This tax shall be levied only if the tax is approved in a referendum within the county which shall be held in accordance with § 24.2-684 and initiated either by a resolution of the board of supervisors or on the filing of a petition signed by a number of registered voters of the county equal in number to 10 percent of the number of voters registered in the county, as appropriate on January 1 of the year in which the petition is filed with the court of such county. The clerk of the circuit court shall publish notice of the election in a newspaper of general circulation in the county once a week for three consecutive weeks prior to the election. If the voters affirm the levy of a local meals tax, the tax shall be effective in an amount and on such terms as the governing body may by ordinance prescribe. If such resolution of the board of supervisors or such petition states for what projects and/or purposes the revenues collected from the tax are to be used, then the question on the ballot for the referendum shall include language stating for what projects and/or purposes the revenues collected from the tax are to be used.

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

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

C. Nothing herein contained shall affect any authority heretofore granted to any county, city or town to levy a meals tax. The county tax limitations imposed pursuant to § 58.1-3711 shall apply to any tax levied under this section, mutatis mutandis. All food and beverage tax collections and all meals tax collections shall be deemed to be held in trust for the county, city or town imposing the applicable tax. The wrongful and fraudulent use of such collections other than remittance of the same as provided by law shall constitute embezzlement pursuant to § 18.2-111.

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

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

§ 58.1-3840. Certain excise taxes permitted.

A. The provisions of Chapter 6 (§ 58.1-600 et seq.) of this title to the contrary notwithstanding, any city or town having general taxing powers established by charter pursuant to or consistent with the provisions of § 15.2-1104 may impose excise taxes on ~~cigarettes~~, admissions, transient room rentals, meals, and travel campgrounds, provided that no such taxes may be imposed on food and beverages sold through vending machines or on any tangible personal property purchased with food coupons issued by the United States Department of Agriculture under the Food Stamp Program or drafts issued through the Virginia Special Supplemental Food Program for Women, Infants, and Children. In addition, as set forth in § 51.5-98, no blind person operating a vending stand or other business enterprise under the jurisdiction of the Department for the Blind and Vision Impaired and located on property acquired and used by the United States for any military or naval purpose shall be required to collect and remit meals taxes.

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

C. Any city or town that is authorized to levy a tax on admissions may levy the tax on admissions



1398 paid for any event held at facilities that are not owned by the city or town at a lower rate than the rate  
1399 levied on admissions paid for any event held at its city- or town-owned civic centers, stadiums and  
1400 amphitheatres.

1401 § 58.1-3912. Treasurers to mail certain bills to taxpayers; penalties; electronic transmission.

1402 A. The treasurer of every city and county shall, as soon as reasonably possible in each year, but not  
1403 later than fourteen days prior to the due date of the taxes, send or cause to be sent by United States  
1404 mail to each taxpayer assessed with taxes and levies for that year a bill or bills setting forth the amounts  
1405 due. The treasurer may elect not to send a bill amounting to twenty dollars or less as shown by an  
1406 assessment book in such treasurer's office. The treasurer may employ the services of a mailing service or  
1407 other vendor for fulfilling the requirements of this section. The failure of any such treasurer to comply  
1408 with this section shall be a Class 4 misdemeanor. Such treasurer shall be deemed in compliance with  
1409 this section as to any taxes due on real estate if, upon certification by the obligee of any note or other  
1410 evidence of debt secured by a mortgage or deed of trust on such real estate that an agreement has been  
1411 made with the obligor in writing within the mortgage or deed of trust instrument that such arrangements  
1412 be made, he mails the bill for such taxes to the obligee thereof. Upon nonpayment of taxes by either the  
1413 obligee or obligor, a past-due tax bill will be sent to the taxpayer. No governing body shall publish the  
1414 name of a taxpayer in connection with a tax debt for which a bill was not sent, without first sending a  
1415 notice of deficiency to his last known address at least two weeks before such publication.

1416 B. The governing body of any county, city or town may attach to or mail with all real estate and  
1417 tangible personal property tax bills, prepared for taxpayers in such locality, information indicating how  
1418 the tax rate charged upon such property and revenue derived therefrom is apportioned among the various  
1419 services and governmental functions provided by the locality.

1420 C. Notwithstanding the provisions of subsection A of this section, in any county which has adopted  
1421 the urban county executive form of government, and in any county contiguous thereto which has  
1422 adopted the county executive form of government, tangible personal property tax bills shall be mailed  
1423 not later than thirty days prior to the due date of such taxes.

1424 D. Notwithstanding the provisions of subsection A of this section, any county and town, the  
1425 governing bodies of which mutually agree, shall be allowed to send, to each taxpayer assessed with  
1426 taxes, by United States mail no later than fourteen days prior to the due date of the taxes, a single real  
1427 property tax bill and a single tangible personal property tax bill.

1428 E. Beginning with tax year 1999, in addition to all other information currently appearing on tangible  
1429 personal property tax bills, each such bill required to be sent pursuant to subsection A shall state on its  
1430 face (i) whether the vehicle is a qualifying vehicle as defined in § 58.1-3523; (ii) a deduction for the  
1431 amount to be paid by the Commonwealth as determined by § 58.1-3524; (iii) the vehicle's registration  
1432 number pursuant to § 46.2-604; (iv) the amount of tangible personal property tax levied on the vehicle;  
1433 and (v) if the locality prorates personal property tax pursuant to § 58.1-3516, the number of months for  
1434 which a bill is being sent.

1435 F. Beginning with tax year 1999 and through the end of tax year ~~2002~~ 2008, the treasurer shall  
1436 include a statement, prepared by the Department, with or as part of the tangible personal property tax  
1437 bills for such qualifying vehicles. The statement shall explain how the deduction for the percentage of  
1438 the reimbursable amount was calculated, how the deduction shall be calculated in future years, and the  
1439 taxpayer's liability for tangible personal property taxes on qualifying vehicles.

1440 G. Notwithstanding the provisions of subsection A, the treasurer, consistent with guidelines  
1441 promulgated by the Department of Taxation implementing the provisions of subdivision 2 of  
1442 § 58.1-1820, may convey, with the written consent of the taxpayer, any tax bill by electronic means  
1443 chosen by the taxpayer, including without limitation facsimile transmission or electronic mail (e-mail), in  
1444 lieu of posting such bill by first-class mail. The treasurer conveying a bill by means authorized in this  
1445 subsection shall maintain a copy (in written form or electronic media) of the bill reflecting the date of  
1446 transmission until such time as the bill has been satisfied or otherwise removed from the treasurer's  
1447 books by operation of law. Transmission of a bill pursuant to this subsection shall have the same force  
1448 and effect for all purposes arising under this subtitle as mailing to the taxpayer by first-class mail on the  
1449 date of transmission.

1450 2. That § 58.1-390, 58.1-394, and 58.1-3831 of the Code of Virginia are repealed.

1451 3. That the provisions of this act may result in a net increase in periods of imprisonment or  
1452 commitment. Pursuant to § 30-19.1:4, the estimated amount of the necessary appropriation cannot  
1453 be determined for periods of imprisonment in state adult correctional facilities and \$0 for periods  
1454 of commitment to the custody of the Department of Juvenile Justice.