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**SENATE BILL NO. 514**

Offered January 14, 2004

Prefiled January 14, 2004

A *BILL to amend and reenact §§ 58.1-600 through 58.1-604, 58.1-605, 58.1-606, 58.1-609.3, 58.1-609.5, 58.1-609.10, as it shall become effective, 58.1-609.13, 58.1-610, as it shall become effective, 58.1-610.1, 58.1-611.1, 58.1-612 through 58.1-615, 58.1-618, 58.1-621, 58.1-622, 58.1-623, 58.1-626, 58.1-635, 58.1-3833, and 58.1-3840 of the Code of Virginia, to amend the Code of Virginia by adding sections numbered 58.1-606.1, 58.1-606.2, 58.1-628.2, 58.1-635.1, 58.1-635.2, and by adding in Chapter 6 of Title 58.1 a section numbered 58.1-639.1, and to repeal §§ 58.1-627 and 58.1-628 of the Code of Virginia, relating to the Virginia Streamlined Retail Sales and Use Tax Act.*

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 Referred to Committee on Finance
 

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

1. That §§ 58.1-600 through 58.1-604, 58.1-605, 58.1-606, 58.1-609.3, 58.1-609.5, 58.1-609.10, as it shall become effective, 58.1-609.13, 58.1-610, as it shall become effective, 58.1-610.1, 58.1-611.1, 58.1-612 through 58.1-615, 58.1-618, 58.1-621, 58.1-622, 58.1-623, 58.1-626, 58.1-635, 58.1-3833, and 58.1-3840 of the Code of Virginia are amended and reenacted, and that the Code of Virginia is amended by adding sections numbered 58.1-606.1, 58.1-606.2, 58.1-628.2, 58.1-635.1, 58.1-635.2 and by adding in Chapter 6 of Title 58.1 a section numbered 58.1-639.1 as follows:

§ 58.1-600. Short title.

This chapter shall be known and may be cited as the "Virginia Streamlined Retail Sales and Use Tax Act."

§ 58.1-601. Administration of chapter.

A. The Tax Commissioner shall administer and enforce the assessment and collection of the taxes and penalties imposed by this chapter.

B. For purposes of evaluating the fiscal, economic and policy impact of sales and use tax exemptions, the Tax Commissioner may require from any person information relating to the evaluation of exempt purchases or sales, information relating to the qualification for exempt purchases, and information relating to direct or indirect government financial assistance which the person receives. Such information shall be filed on forms prescribed by the Tax Commissioner.

C. 1. *The General Assembly has determined that it is in the best interest of the Commonwealth to simplify and modernize the retail sales and use tax administration in order to substantially reduce the burden of tax compliance. In furtherance of these goals, effective beginning on and after July 1, 2006, the Virginia Retail Sales and Use Tax Act shall be amended and renamed the Virginia Streamlined Retail Sales and Use Tax Act to conform to the requirements of the national Streamlined Sales and Use Tax Agreement.*

2. *The Tax Commissioner, one representative appointed by the Governor, and two representatives appointed by the General Assembly, shall serve on the national governing board charged with administering the Streamlined Sales and Use Tax Agreement.*

3. *The Tax Commissioner shall report annually, prior to December 1, to the Governor and the Chairmen of the Senate and House Finance Committees whether the Commonwealth's retail sales and use tax is in substantial compliance with the Streamlined Sales and Use Tax Agreement and recommend any legislative changes necessary to ensure that the Commonwealth will continue to be in substantial compliance with the requirements of the Streamlined Sales and Use Tax Agreement.*

§ 58.1-602. Definitions.

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

"Advertising" means the planning, creating, or placing of advertising in newspapers, magazines, billboards, broadcasting and other media, including, without limitation, the providing of concept, writing, graphic design, mechanical art, photography and production supervision. Any person providing advertising as defined herein shall be deemed to be the user or consumer of all tangible personal property purchased for use in such advertising.

"Agent" means a person appointed by a seller to represent the seller.

"Agreement" means the Streamlined Sales and Use Tax Agreement as adopted November 12, 2002, and amendments thereto.

"Alcoholic Beverages" means beverages that are suitable for human consumption and contain

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59 *one-half of one percent or more of alcohol by volume.*

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

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

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

69 "Certified automated system" (CAS) means software certified under the Agreement to calculate the  
70 tax imposed by each jurisdiction on a transaction, determine the amount of tax to remit to the  
71 appropriate state, and maintain a record of the transaction.

72 "Certified service provider" (CSP) means an agent certified under the Agreement to perform all the  
73 seller's sales and use tax functions, other than the seller's obligation to remit tax on its own purchases.

74 "Computer" means an electronic device that accepts information in digital or similar form and  
75 manipulates it for a result based on a sequence of instructions.

76 "Computer software" means a set of coded instructions designed to cause a computer or automatic  
77 data-processing equipment to perform a task.

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

82 "Delivery charges" means charges by the seller of personal property or services for preparation and  
83 delivery to a location designated by the purchaser of personal property or services including, but not  
84 limited to, transportation, shipping, postage, handling, crating, and packing.

85 "Dietary supplement" means any product, other than tobacco, intended to supplement the diet that:

86 1. Contains one or more of the following dietary ingredients:

87 a. A vitamin;

88 b. A mineral;

89 c. An herb or other botanical;

90 d. An amino acid;

91 e. A dietary substance for use by humans to supplement the diet by increasing the total dietary  
92 intake; or

93 f. A concentrate, metabolite, constituent, extract, or combination of any ingredient described in  
94 above; and

95 2. Is intended for ingestion in tablet, capsule, powder, softgel, gelcap, or liquid form, or if not  
96 intended for ingestion in such a form, is not represented as conventional food and is not represented for  
97 use as a sole item of a meal or of the diet; and

98 3. Is required to be labeled as a dietary supplement, identifiable by the "Supplemental Facts" box  
99 found on the label and as required pursuant to 21 C.F.R. § 101.36.

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

105 "Drug" means a compound, substance or preparation, and any component of a compound, substance  
106 or preparation, other than food and food ingredients, dietary supplements or alcoholic beverages:

107 1. Recognized in the official United States Pharmacopoeia, official Homeopathic Pharmacopoeia of  
108 the United States, or official National Formulary, and supplement to any of them; or

109 2. Intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease; or

110 3. Intended to affect the structure or any function of the body.

111 "Durable medical equipment" means equipment including repair and replacement parts for same, but  
112 does not include mobility-enhancing equipment, which:

113 1. Can withstand repeated use; and

114 2. Is primarily and customarily used to serve a medical purpose; and

115 3. Generally is not useful to a person in the absence of illness or injury; and

116 4. Is not worn in or on the body.

117 "Electronic" means relating to technology having electrical, digital, magnetic, wireless, optical,  
118 electromagnetic, or similar capabilities.

119 "Food and food ingredients" means substances, whether in liquid, concentrated, solid, frozen, dried,  
120 or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste

or nutritional value. "Food and food ingredients" does not include alcoholic beverages, tobacco, food sold through vending machines, prepared food or food sold by a seller whose proper primary North American Industry Classification System (NAICS) classification is manufacturing in sector 311, except subsector 3118 (bakeries).

"Food sold through vending machines" means food dispensed from a machine or other mechanical device that accepts payment.

"Grooming and hygiene products" means soaps and cleaning solutions, shampoo, toothpaste, mouthwash, antiperspirants, and suntan lotions and screens, regardless of whether the items meet the definition of over-the-counter drugs.

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

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

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

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

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

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

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

"Lease or rental" means any transfer of possession or control of tangible personal property for a fixed or indeterminate term for consideration. A lease or rental may include future options to purchase or extend.

1. Lease or rental does not include:

a. A transfer of possession or control of property under a security agreement or deferred payment plan that requires the transfer of title upon completion of the required payments;

b. A transfer or possession or control of property under an agreement that requires the transfer of title upon completion of required payments and payment of an option price does not exceed the greater of \$100 or one percent of the total required payments; or

c. Providing tangible personal property along with an operator for a fixed or indeterminate period of time. A condition of this exclusion is that the operator is necessary for the equipment to perform as designed. For the purpose of this subsection, an operator must do more than maintain, inspect, or set-up the tangible personal property.

2. Lease or rental does include agreements covering motor vehicles and trailers where the amount of consideration may be increased or decreased by reference to the amount realized upon sale or disposition of the property as defined in 26 USC 7701(h)(1).

3. This definition shall be used for sales and use tax purposes regardless if a transaction is characterized as a lease or rental under generally accepted accounting principles, the Internal Revenue Code, or other provisions of federal, state or local law.

4. This definition shall be applied only prospectively from July 1, 2006, and shall have no retroactive impact on existing leases or rentals.

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

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

188 *"Model 1 seller" means a seller that has selected a CSP as its agent to perform all the seller's sales*  
189 *and use tax functions, other than the seller's obligation to remit tax on its own purchases.*

190 *"Model 2 seller" means a seller that has selected a CAS to perform part of its sales and use tax*  
191 *functions, but retains responsibility for remitting the tax.*

192 *"Model 3 seller" means a seller that has sales in at least five member states, has total annual sales*  
193 *revenue of at least \$500 million, has a proprietary system that calculates the amount of tax due each*  
194 *jurisdiction, and has entered into a performance agreement with the member states that establishes a tax*  
195 *performance standard for the seller. As used in this definition, a seller includes an affiliated group of*  
196 *sellers using the same proprietary system.*

197 *"Modular building home" means, but shall not be limited to, single and multifamily houses,*  
198 *apartment units, commercial buildings, and permanent additions thereof, comprised of one or more*  
199 *sections that are intended to become real property, primarily constructed at a location other than the*  
200 *permanent site, built to comply with the Virginia Industrialized Building Safety Law (§ 36-70 et seq.) as*  
201 *regulated by the Virginia Department of Housing and Community Development, and shipped with most*  
202 *permanent components in place to the site of final assembly. For purposes of this chapter, a modular*  
203 *building home shall not include a mobile office as defined in § 58.1-2401 or any manufactured building*  
204 *subject to and certified under the provisions of the National Manufactured Housing Construction and*  
205 *Safety Standards Act of 1974 (42 U.S.C. § 5401 et seq.).*

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

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

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

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

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

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

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

234 *"Over-the-counter drug" means a drug that contains a label that identifies the product as a drug as*  
235 *required by 21 C.F.R. § 201.66. The over-the-counter drug label includes:*

236 1. A "Drug Facts" panel; or  
237 2. A statement of the "active ingredient(s)" with a list of those ingredients contained in the  
238 compound, substance or preparation.

239 *Over-the-counter drugs do not include "dietary supplements."*

240 *"Person" means an individual, trust, estate, fiduciary, partnership, limited liability company, limited*  
241 *liability partnership, corporation, or any other legal entity.*

242 *"Prepared food" means:*

243 1. Food sold in a heated state or heated by the seller; and

2. Two or more food ingredients mixed or combined by the seller for sale as a single item; and  
 3. Food sold with eating utensils provided by the seller, including plates, knives, forks, spoons, glasses, cups, napkins, or straws. A plate does not include a container or packaging used to transport the food.

"Prepared food" in subdivision 2 does not include:

a. Food that is only cut, repackaged, or pasteurized by the seller, and eggs, fish, meat, poultry, and foods containing these raw animal foods requiring cooking by the consumer as recommended by the Food and Drug Administration in chapter 3, part 401.11 of its Food Code so as to prevent food borne illnesses; or

b. Food sold in an unheated state by weight or volume as a single item; or

c. Bakery items, including bread, rolls, buns, biscuits, bagels, croissants, pastries, donuts, danish, cakes, tortes, pies, tarts, muffins, bars, cookies, and tortillas.

"Prescription" means an order, formula or recipe issued in any form of oral, written, electronic, or other means of transmission by a duly licensed practitioner authorized by the laws of the member state.

"Prewritten computer software" means computer software, including prewritten upgrades, which is not designed and developed by the author or other creator to the specifications of a specific purchaser. The combining of two or more prewritten computer software programs or prewritten portions thereof does not cause the combination to be other than prewritten computer software. "Prewritten computer software" includes software designed and developed by the author or other creator to the specifications of a specific purchaser when it is sold to a person other than the specific purchaser. Where a person modifies or enhances computer software of which the person is not the author or creator, the person shall be deemed to be the author or creator only of such person's modifications or enhancements. "Prewritten computer software" or a prewritten portion thereof that is modified or enhanced to any degree, where such modification or enhancement is designed and developed to the specifications of a specific purchaser, remains "prewritten computer software"; provided, however, that where there is a reasonable, separately stated charge or an invoice or other statement of the price given to the purchaser for such modification or enhancement, such modification or enhancement shall not constitute "prewritten computer software".

"Purchase price" or cost price applies to the measure subject to use tax and has the same meaning as sales price.

"Purchaser" means a person to whom a sale of personal property is made or to whom a service is furnished.

"Registered under the agreement" means the registration by a seller with the member states under the central registration system provided in Article IV of the Agreement.

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

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

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

The terms "retail sale" and "sale at retail" shall not include a transfer of title to tangible personal property after its use as tools, tooling, machinery or equipment, including dies, molds, and patterns, if (i)

305 at the time of purchase, the purchaser is obligated, under the terms of a written contract, to make the  
306 transfer and (ii) the transfer is made for the same or a greater consideration to the person for whom the  
307 purchaser manufactures goods.

308 *"Retail sale" or "sale at retail" means any sale, lease, or rental for any purpose other than for*  
309 *resale, sublease, or subrent.*

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

312 *"Sale" means any transfer of title or possession, or both, exchange, barter, lease or rental, conditional*  
313 *or otherwise, in any manner or by any means whatsoever, of tangible personal property and any*  
314 *rendition of a taxable service for a consideration, and includes the fabrication of tangible personal*  
315 *property for consumers who furnish, either directly or indirectly, the materials used in fabrication, and*  
316 *the furnishing, preparing, or serving for a consideration of any tangible personal property consumed on*  
317 *the premises of the person furnishing, preparing, or serving such tangible personal property. A*  
318 *transaction whereby the possession of property is transferred but the seller retains title as security for the*  
319 *payment of the price shall be deemed a sale.*

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

331 *"Sales price" applies to the measure subject to sales tax and means the total amount of*  
332 *consideration, including cash, credit, property, and services, for which personal property or services are*  
333 *sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction*  
334 *for the following:*

335 1. *The seller's cost of the property sold;*

336 2. *The cost of materials used, labor or service cost, interest, losses, all costs of transportation to the*  
337 *seller, all taxes imposed on the seller, and any other expense of the seller;*

338 3. *Charges by the seller for any services necessary to complete the sale, other than delivery and*  
339 *installation charges;*

340 4. *Delivery charges;*

341 5. *Installation charges;*

342 6. *The value of exempt personal property given to the purchaser where taxable and exempt personal*  
343 *property have been bundled together and sold by the seller as a single product or piece of merchandise;*  
344 *and*

345 7. *Credit for any trade-in, as determined by state law.*

346 *"Sales price" shall not include:*

347 a. *Discounts, including cash, term, or coupons that are not reimbursed by a third party that are*  
348 *allowed by a seller and taken by a purchaser on a sale;*

349 b. *Interest, financing, and carrying charges from credit extended on the sale of personal property or*  
350 *services, if the amount is separately stated on the invoice, bill of sale or similar document given to the*  
351 *purchaser; and*

352 c. *Any taxes legally imposed directly on the consumer that are separately stated on the invoice, bill*  
353 *of sale or similar document given to the purchaser.*

354 *"Seller" means a person making sales, leases, or rentals of personal property or services.*

355 *"State" means any state of the United States and the District of Columbia.*

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

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

362 *"Tangible personal property" means personal property that can be seen, weighed, measured, felt, or*  
363 *touched, or that is in any other manner perceptible to the senses. Tangible personal property includes*  
364 *electricity, water, gas, steam, and prewritten computer software.*

365 *"Tobacco" means cigarettes, cigars, chewing or pipe tobacco, or any other item that contains*  
366 *tobacco.*

"Transient accommodations" means any room or rooms, lodgings, or accommodations furnished for less than 90 continuous days by any hotel, motel, inn, tourist camp, tourist cabin, camping grounds, club, or any other place in which rooms, lodging, space, or accommodations are regularly furnished for a consideration.

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

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

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

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

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

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

§ 58.1-603. Imposition of sales tax.

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

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

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

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

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

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

B. The tax levied under this section shall apply to persons who make sales of tangible personal property to persons for resale when because of the operation of the business, or its very nature, or the lack of a place of business in which to display a certificate of registration, or the lack of a place of business in which to keep records, or the lack of adequate records, or because such persons are minors or transients, or because such persons are engaged in essentially service businesses, or for any other reason there is likelihood that the Commonwealth will lose tax funds due to the difficulty of policing such business operations. The Tax Commissioner is authorized to promulgate regulations requiring vendors of or sellers to such persons to collect the tax imposed by this chapter on the cost price of such tangible personal property to such persons and may refuse to issue certificates of registration to such persons.

§ 58.1-604. Imposition of use tax.

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

428 of three and one-half percent:

429 1. Of the ~~cost price~~*purchase price* of each item or article of tangible personal property used or  
430 consumed in this Commonwealth. Tangible personal property which has been acquired for use outside  
431 this Commonwealth and subsequently becomes subject to the tax imposed hereunder shall be taxed on  
432 the basis of its ~~cost price~~*purchase price* if such property is brought within this Commonwealth for use  
433 within six months of its acquisition; but if so brought within this Commonwealth six months or more  
434 after its acquisition, such property shall be taxed on the basis of the current market value (but not in  
435 excess of its ~~cost price~~*purchase price*) of such property at the time of its first use within this  
436 Commonwealth. Such tax shall be based on such proportion of the ~~cost price~~*purchase price* or current  
437 market value as the duration of time of use within this Commonwealth bears to the total useful life of  
438 such property (but it shall be presumed in all cases that such property will remain within this  
439 Commonwealth for the remainder of its useful life unless convincing evidence is provided to the  
440 contrary).

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

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

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

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

450 § 58.1-605. To what extent and under what conditions cities and counties may levy local sales taxes;  
451 collection thereof by Commonwealth and return of revenue to each city or county entitled thereto.

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

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

460 C. The council of any city and the governing body of any county desiring to impose a local sales tax  
461 under this section may do so by the adoption of an ordinance stating its purpose and referring to this  
462 section, and providing that such ordinance shall be effective on the first day of a ~~month~~*calendar*  
463 ~~quarter after a minimum of at least sixty days after its adoption~~*60 day's notice to sellers*. A certified  
464 copy of such ordinance shall be forwarded to the Tax Commissioner so that it will be received within  
465 five days after its adoption.

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

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

481 F. As soon as practicable after the local sales tax moneys have been paid into the state treasury in  
482 any month for the preceding month, the Comptroller shall draw his warrant on the Treasurer of Virginia  
483 in the proper amount in favor of each city or county entitled to the monthly return of its local sales tax  
484 moneys, and such payments shall be charged to the account of each such city or county under the  
485 special fund created by this section. If errors are made in any such payment, or adjustments are  
486 otherwise necessary, whether attributable to refunds to taxpayers, or to some other fact, the errors shall  
487 be corrected and adjustments made in the payments for the next six months as follows: one-sixth of the  
488 total adjustment shall be included in the payments for the next six months. In addition, the payment  
489 shall include a refund of amounts erroneously not paid to the city or county and not previously refunded



during the three years preceding the discovery of the error. A correction and adjustment in payments described in this subsection due to the misallocation of funds by the dealer shall be made within three years of the date of the payment error.

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

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

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

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

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

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

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

1. If the city or county has previously imposed the local sales tax authorized by § 58.1-605, the local use tax may be imposed by the council or governing body by the adoption of a resolution by a majority of all the members thereof, by a recorded ye and nay vote, stating its purpose and referring to this section, and providing that the local use tax shall become effective on the first day of a ~~month at least sixty days after the adoption of the resolution~~ *calendar quarter after a minimum of 60 day's notice to sellers*. A certified copy of such resolution shall be forwarded to the Tax Commissioner so that it will be received within five days after its adoption. The resolution authorized by this paragraph may be adopted in the manner stated notwithstanding any other provision of law, including any charter provision.

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

551 B and C of § 58.1-605.

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

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

566 E. Out-of-state dealers who hold certificates of registration to collect the use tax from their customers  
567 for remittance to this Commonwealth shall, to the extent reasonably practicable, in filing their monthly  
568 use tax returns with the Tax Commissioner, break down their shipments into this Commonwealth by  
569 cities and counties so as to show the city or county of destination. *In providing such break down,*  
570 *out-of-state dealers shall utilize and rely on the database of localities in this Commonwealth provided*  
571 *for under § 58.1-606.2.* If, however, the out-of-state dealer is unable accurately to assign any shipment  
572 to a particular city or county, the local use tax on the tangible personal property involved shall be  
573 remitted to the Commonwealth by such dealer without attempting to assign the shipment to any city or  
574 county.

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

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

590 § 58.1-606.1. *Situs of local sales and use tax.*

591 *For purposes of determining the situs of the transaction subject to taxation under §§ 58.1-605 and*  
592 *58.1-606:*

593 A. *For sales made from business locations within the Commonwealth:*

594 1. *When the product is received by the purchaser at a business location of the dealer, the sale is*  
595 *sourced to the city or county in which the dealer's business is located. If a dealer has any place of*  
596 *business located in more than one political subdivision by reason of the boundary line or lines passing*  
597 *through such place of business, the amount of sales tax paid by such a dealer with respect to such place*  
598 *of business shall be treated for the purposes of this section as follows: one-half shall be assignable to*  
599 *each political subdivision where two are involved, one-third where three are involved, and one-fourth*  
600 *where four are involved.*

601 2. *When the product is delivered to the purchaser at a location within this Commonwealth, other*  
602 *than the business location of the dealer, the sale is sourced to the city or county in which the dealer's*  
603 *business is located, without regard to the city or county of possible use by the purchaser.*

604 B. *For sales made from business locations without the Commonwealth:*

605 1. *When the product is not received by the purchaser at a business location of the dealer, the sale is*  
606 *sourced to the location where receipt by the purchaser (or the purchaser's donee, designated as such by*  
607 *the purchaser) occurs, including the location indicated by instructions for delivery to the purchaser (or*  
608 *donee), known to the dealer.*

609 2. *When subsection B 1 does not apply, the sale is sourced to the location indicated by an address*  
610 *for the purchaser that is available from the business records of the dealer that are maintained in the*  
611 *ordinary course of the dealer's business when use of this address does not constitute bad faith.*

612 3. *When subsections B 1 and B 2 do not apply, the sale is sourced to the location indicated by an*

address for the purchaser obtained during the consummation of the sale, including the address of a purchaser's payment instrument, if no other address is available, when use of this address does not constitute bad faith.

4. When none of the previous rules of subsections B 1, B 2, or B 3 apply, including the circumstance in which the dealer is without sufficient information to apply the previous rules, then the location will be determined by the address from which tangible personal property was shipped by the dealer.

§ 58.1-606.2. Locality database required.

For purposes of determining the correct local jurisdiction when applying the situs requirements set forth in subsection B of § 58.1-606.1, the Department shall develop and make available to all dealers a database that assigns each five- and nine-digit ZIP code within the Commonwealth to the proper local jurisdiction.

§ 58.1-609.3. Commercial and industrial exemptions.

The tax imposed by this chapter or pursuant to the authority granted in §§ 58.1-605 and 58.1-606 shall not apply to the following:

1. Personal property purchased by a contractor which is used solely in another state or in a foreign country, which could be purchased by such contractor for such use free from sales tax in such other state or foreign country, and which is stored temporarily in Virginia pending shipment to such state or country.

2. (i) Industrial materials for future processing, manufacturing, refining, or conversion into articles of tangible personal property for resale where such industrial materials either enter into the production of or become a component part of the finished product; (ii) industrial materials that are coated upon or impregnated into the product at any stage of its being processed, manufactured, refined, or converted for resale; (iii) machinery or tools or repair parts therefor or replacements thereof, fuel, power, energy, or supplies, used directly in processing, manufacturing, refining, mining or converting products for sale or resale; (iv) materials, containers, labels, sacks, cans, boxes, drums or bags for future use for packaging tangible personal property for shipment or sale; or (v) equipment, printing or supplies used directly to produce a publication described in subdivision 3 of § 58.1-609.6 whether it is ultimately sold at retail or for resale or distribution at no cost. Machinery, tools and equipment, or repair parts therefor or replacements thereof, shall be exempt if the preponderance of their use is directly in processing, manufacturing, refining, mining or converting products for sale or resale. The provisions of this subsection do not apply to the drilling, extraction, refining, or processing of oil, gas, natural gas and coalbed methane gas.

3. Tangible personal property sold or leased to (i) a public service corporation subject to a state franchise or license tax upon gross receipts, (ii) a telecommunications company as defined in § 58.1-400.1 or (iii) a telephone company chartered in the Commonwealth which is exclusively a local mutual association and is not designated to accumulate profits for the benefit of, or to pay dividends to, the stockholders or members thereof, for use or consumption by such corporation, company, person or mutual association directly in the rendition of its public service; and tangible personal property sold or leased to a public service corporation engaged in business as a common carrier of property or passengers by motor vehicle or railway, for use or consumption by such common carrier directly in the rendition of its public service.

4. Ships or vessels, or repairs and alterations thereof, used or to be used exclusively or principally in interstate or foreign commerce; fuel and supplies for use or consumption aboard ships or vessels plying the high seas, either in intercoastal trade between ports in the Commonwealth and ports in other states of the United States or its territories or possessions, or in foreign commerce between ports in the Commonwealth and ports in foreign countries, when delivered directly to such ships or vessels; or tangible personal property used directly in the building, conversion or repair of the ships or vessels covered by this subdivision. This exemption shall include dredges, their supporting equipment, attendant vessels, and fuel and supplies for use or consumption aboard such vessels, provided the dredges are used exclusively or principally in interstate or foreign commerce.

5. Tangible personal property purchased for use or consumption directly and exclusively in basic research or research and development in the experimental or laboratory sense.

6. Tangible personal property sold or leased to an airline operating in intrastate, interstate or foreign commerce as a common carrier providing scheduled air service on a continuing basis to one or more Virginia airports at least one day per week, for use or consumption by such airline directly in the rendition of its common carrier service.

7. Meals furnished by restaurants or food service operators to employees as a part of wages.

8. Tangible personal property including machinery and tools, repair parts or replacements thereof, and supplies and materials used directly in maintaining and preparing textile products for rental or leasing by an industrial processor engaged in the commercial leasing or renting of laundered textile products.

9. (i) Certified pollution control equipment and facilities as defined in § 58.1-3660, except for any equipment that has not been certified to the Department of Taxation by a state certifying authority pursuant to such section and (ii) effective retroactive to July 1, 1994, and ending July 1, 2006, certified pollution control equipment and facilities as defined in § 58.1-3660 and which, in accordance with such section, have been certified by the Department of Mines, Minerals and Energy for coal, oil and gas production, including gas, natural gas, and coalbed methane gas.

10. Parts, tires, meters and dispatch radios sold or leased to taxicab operators for use or consumption directly in the rendition of their services.

11. High speed electrostatic duplicators or any other duplicators which have a printing capacity of 4,000 impressions or more per hour purchased or leased by persons engaged primarily in the printing or photocopying of products for sale or resale.

12. From July 1, 1994, and ending July 1, 2006, raw materials, fuel, power, energy, supplies, machinery or tools or repair parts therefor or replacements thereof, used directly in the drilling, extraction, refining, or processing of natural gas or oil and the reclamation of the well area. For the purposes of this section, the term "natural gas" shall mean "gas," "natural gas," and "coalbed methane gas" as defined in § 45.1-361.1. For the purposes of this section, "drilling," "extraction," "refining," and "processing" shall include production, inspection, testing, dewatering, dehydration, or distillation of raw natural gas into a usable condition consistent with commercial practices, and the gathering and transportation of raw natural gas to a facility wherein the gas is converted into such a usable condition. Machinery, tools and equipment, or repair parts therefor or replacements thereof, shall be exempt if the preponderance of their use is directly in the drilling, extraction, refining, or processing of natural gas or oil for sale or resale, or in well area reclamation activities required by state or federal law.

13. Beginning July 1, 1997, and ending July 1, 2011, (i) the sale, lease, use, storage, consumption, or distribution of an orbital or suborbital space facility, space propulsion system, space vehicle, satellite, or space station of any kind possessing space flight capability, including the components thereof, irrespective of whether such facility, system, vehicle, satellite, or station is returned to this Commonwealth for subsequent use, storage or consumption in any manner when used to conduct spaceport activities; (ii) the sale, lease, use, storage, consumption or distribution of tangible personal property placed on or used aboard any orbital or suborbital space facility, space propulsion system, space vehicle, satellite or space station of any kind, irrespective of whether such tangible personal property is returned to this Commonwealth for subsequent use, storage or consumption in any manner when used to conduct spaceport activities; (iii) fuels of such quality not adapted for use in ordinary vehicles, being produced for, sold and exclusively used for space flight when used to conduct spaceport activities; (iv) the sale, lease, use, storage, consumption or distribution of machinery and equipment purchased, sold, leased, rented or used exclusively for spaceport activities and the sale of goods and services provided to operate and maintain launch facilities, launch equipment, payload processing facilities and payload processing equipment used to conduct spaceport activities.

For purposes of this subdivision, "spaceport activities" means activities directed or sponsored at a facility owned, leased, or operated by or on behalf of the Virginia Commercial Space Flight Authority.

The exemptions provided by this subdivision shall not be denied by reason of a failure, postponement or cancellation of a launch of any orbital or suborbital space facility, space propulsion system, space vehicle, satellite or space station of any kind or the destruction of any launch vehicle or any components thereof.

14. *The transfer of title to tangible personal property after its use as tools, tooling, machinery or equipment, including dies, molds, and patterns, if (i) at the time of purchase, the purchaser is obligated, under the terms of a written contract, to make the transfer and (ii) the transfer is made for the same or a greater consideration to the person for whom the purchaser manufactures goods.*

§ 58.1-609.5. Service exemptions.

The tax imposed by this chapter or pursuant to the authority granted in § 58.1-605 or § 58.1-606 shall not apply to the following:

A 1. Professional, insurance, or personal service transactions which involve sales as inconsequential elements for which no separate charges are made; services rendered by repairmen for which a separate charge is made; and services not involving an exchange of tangible personal property which provide access to or use of the international network of computer systems commonly known as the Internet and any other related electronic communication service.

2. An amount separately charged for labor or services rendered in installing, applying, remodeling or repairing property sold.

3. ~~Transportation charges separately stated.~~

43. Separately stated charges for alterations to apparel, clothing and garments.

54. Charges for gift wrapping services performed by a nonprofit organization.

65. An amount separately charged for labor or services rendered in connection with the modification of prewritten ~~programs~~ computer software as defined in § 58.1-602.

76. Custom programs as defined in § 58.1-602.

8. The sale or charges for any room or rooms, lodgings, or accommodations furnished to transients for more than ninety continuous days by any hotel, motel, inn, tourist camp, tourist cabin, camping grounds, club, or any other place in which rooms, lodging, space or accommodations are regularly furnished to transients for a consideration.

9. Beginning January 1, 1996, maintenance contracts, the terms of which provide for both repair or replacement parts and repair labor, shall be subject to tax upon one-half of the total charge for such contracts only. Persons providing maintenance pursuant to such a contract may purchase repair or replacement parts under a resale certificate of exemption.

B. Warranty plans issued by an insurance company, which constitute insurance transactions, are subject to the provisions of subdivision A 1 above.

§ 58.1-609.10. (Effective July 1, 2004) Miscellaneous exemptions.

The tax imposed by this chapter or pursuant to the authority granted in §§ 58.1-605 and 58.1-606 shall not apply to the following:

1. Artificial or propane gas, firewood, coal or home heating oil used for domestic consumption. "Domestic consumption" means the use of artificial or propane gas, firewood, coal or home heating oil by an individual purchaser for other than business, commercial or industrial purposes. The Tax Commissioner shall establish by regulation a system for use by dealers in classifying individual purchases for domestic or nondomestic use based on the principal usage of such gas, wood, coal or oil. Any person making a nondomestic purchase and paying the tax pursuant to this chapter who uses any portion of such purchase for domestic use may, between the first day of the first month and the fifteenth day of the fourth month following the year of purchase, apply for a refund of the tax paid on the domestic use portion.

2. An occasional sale, as defined in § 58.1-602.

3. Tangible personal property for future use by a person for taxable lease or rental as an established business or part of an established business, or incidental or germane to such business, including a simultaneous purchase and taxable leaseback.

4. Delivery of tangible personal property outside the Commonwealth for use or consumption outside of the Commonwealth. Delivery of goods destined for foreign export to a factor or export agent shall be deemed to be delivery of goods for use or consumption outside of the Commonwealth.

5. 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.

6. Tangible personal property purchased for use or consumption in the performance of maintenance and repair services at Nuclear Regulatory Commission-licensed nuclear power plants located outside the Commonwealth.

7. Beginning July 1, 1997, and ending July 1, 2006, a professional's provision of original, revised, edited, reformatted or copied documents, including but not limited to documents stored on or transmitted by electronic media, to its client or to third parties in the course of the professional's rendition of services to its clientele.

8. School lunches sold and served to pupils and employees of schools and subsidized by government; school textbooks sold by a local board or authorized agency thereof; and school textbooks sold for use by students attending a nonprofit college or other institution of learning, when sold (i) by such institution of learning or (ii) by any other dealer, when such textbooks have been certified by a department or instructor of such institution of learning as required textbooks for students attending courses at such institution.

9. ~~Medicines, drugs~~Drugs, hypodermic syringes, artificial eyes, contact lenses, eyeglasses, eyeglass cases, and contact lens storage containers when distributed free of charge, all solutions or sterilization kits or other devices applicable to the wearing or maintenance of contact lenses or eyeglasses when distributed free of charge, and hearing aids dispensed by or sold on prescriptions or work orders of licensed physicians, dentists, optometrists, ophthalmologists, opticians, audiologists, hearing aid dealers and fitters, nurse practitioners, physician assistants, and veterinarians; controlled drugs purchased for use by a licensed physician, optometrist, licensed nurse practitioner, or licensed physician assistant in his professional practice, regardless of whether such practice is organized as a sole proprietorship, partnership, or professional corporation, or any other type of corporation in which the shareholders and operators are all licensed physicians, optometrists, licensed nurse practitioners, or licensed physician assistants engaged in the practice of medicine, optometry, or nursing, but excluding nursing homes, clinics, and similar corporations not otherwise exempt under this section; ~~medicines and drugs~~ purchased for use or consumption by a licensed hospital; and samples of prescription drugs ~~and medicines~~ and their packaging distributed free of charge to authorized recipients in accordance with the federal Food, Drug, and Cosmetic Act (21 U.S.C.A. § 301 et seq., as amended). Any veterinarian dispensing or selling

797 medicines or drugs on prescription shall be deemed to be the user or consumer of all such medicines  
798 and drugs.

799 10. Wheelchairs and parts therefor, braces, crutches, prosthetic devices, orthopedic appliances,  
800 catheters, urinary accessories, other durable medical equipment, *appropriate for use in the home*, and  
801 devices, and related parts and supplies specifically designed for those products; and insulin and insulin  
802 syringes, and equipment, devices or chemical reagents that may be used by a diabetic to test or monitor  
803 blood or urine, when such items or parts are purchased by or on behalf of an individual for use by such  
804 individual. ~~Durable medical equipment is equipment that (i) can withstand repeated use, (ii) is primarily~~  
805 ~~and customarily used to serve a medical purpose, (iii) generally is not useful to a person in the absence~~  
806 ~~of illness or injury, and (iv) is appropriate for use in the home.~~

807 11. Drugs and supplies used in hemodialysis and peritoneal dialysis.

808 12. Special equipment installed on a motor vehicle when purchased by a handicapped person to  
809 enable such person to operate the motor vehicle.

810 13. Special typewriters and computers and related parts and supplies specifically designed for those  
811 products used by handicapped persons to communicate when such equipment is prescribed by a licensed  
812 physician.

813 14. a. (i) Any ~~nonprescription drugs and proprietary medicines~~ *over-the-counter drugs* purchased for  
814 the cure, mitigation, treatment, or prevention of disease in human beings and (ii) any samples of  
815 ~~nonprescription drugs and proprietary medicines~~ *over-the-counter drugs* distributed free of charge by the  
816 manufacturer, including packaging materials and constituent elements and ingredients.

817 b. The terms "~~nonprescription drugs~~" and "~~proprietary medicines~~" *term over-the-counter drugs* shall  
818 be defined pursuant to regulations promulgated by the Department of Taxation. The exemption  
819 authorized in this subsection shall not apply to ~~cosmetics grooming and hygiene products~~.

820 15. Tangible personal property withdrawn from inventory and donated to (i) an organization exempt  
821 from taxation under § 501(c)(3) of the Internal Revenue Code or (ii) the Commonwealth, any political  
822 subdivision of the Commonwealth, or any school, agency, or instrumentality thereof.

823 § 58.1-609.13. Exceptions to § 58.1-609.10.

824 Notwithstanding the provisions of subdivision 1 of § 58.1-609.10, the tax imposed by a county, city  
825 or town pursuant to §§ 58.1-605 and 58.1-606 shall apply to artificial or propane gas, firewood, coal or  
826 home heating oil used for domestic consumption as defined in subdivision 1 of § 58.1-609.10, unless  
827 ~~exempted~~ *subjected to tax at a rate of zero percent* by a duly adopted ordinance of the local governing  
828 body of a county, city or town. The provisions of this section shall not apply to fuel for domestic  
829 consumption purchased by churches organized not for profit and (i) which are exempt from taxation  
830 under § 501 (c) (3) of the Internal Revenue Code or (ii) whose real property is exempt from local  
831 taxation pursuant to the provisions of § 58.1-3606.

832 § 58.1-610. (Effective July 1, 2004) Contractors.

833 A. Any person who contracts orally, in writing, or by purchase order, to perform construction,  
834 reconstruction, installation, repair, or any other service with respect to real estate or fixtures thereon, and  
835 in connection therewith to furnish tangible personal property, shall be deemed to have purchased such  
836 tangible personal property for use or consumption. Any sale, distribution, or lease to or storage for such  
837 person shall be deemed a sale, distribution, or lease to or storage for the ultimate consumer and not for  
838 resale, and the dealer making the sale, distribution, or lease to or storage for such person shall be  
839 obligated to collect the tax to the extent required by this chapter.

840 B. Any person who contracts to perform services in this Commonwealth and is furnished tangible  
841 personal property for use under the contract by the person, or his agent or representative, for whom the  
842 contract is performed, and a sales or use tax has not been paid to this Commonwealth by the person  
843 supplying the tangible personal property, shall be deemed to be the consumer of the tangible personal  
844 property so used, and shall pay a use tax based on the fair market value of the tangible personal  
845 property so used, irrespective of whether or not any right, title or interest in the tangible personal  
846 property becomes vested in the contractor. This subsection, however, shall not apply to the industrial  
847 materials exclusion or the other industrial exclusions set out in § 58.1-609.3, including those set out in  
848 subdivisions 2, 3 and 4 thereof; the media-related exemptions set out in subdivision 2 of § 58.1-609.6;  
849 the governmental exclusions set out in subdivision 4 of § 58.1-609.1; the agricultural exclusions set forth  
850 in subdivision 1 of § 58.1-609.2; or the exclusion for baptistries set forth in former subdivision 2 of  
851 § 58.1-609.8.

852 C. Any person who contracts orally, in writing, or by purchase order to perform any service in the  
853 nature of equipment rental, and the principal part of that service is the furnishing of equipment or  
854 machinery which will not be under the exclusive control of the contractor, shall be liable for the sales or  
855 use tax on the gross proceeds from such contract to the same extent as the lessor of tangible personal  
856 property.

857 D. Tangible personal property incorporated in real property construction which loses its identity as  
858 tangible personal property shall be deemed to be tangible personal property used or consumed within the

meaning of this section. Any person selling fences, venetian blinds, window shades, awnings, storm windows and doors, locks and locking devices, floor coverings (as distinguished from the floors themselves), cabinets, kitchen equipment, window air conditioning units or other like or comparable items, shall be deemed to be a retailer of such items and not a using or consuming contractor with respect to them, whether he sells to and installs such items for contractors or other customers and whether or not such retailer fabricates such items.

E. Nothing in this section shall be construed to (i) affect or limit the resale exclusion provided for in this chapter, or the industrial materials and other industrial exclusions set out in § 58.1-609.3, the exclusion for baptistries set out in former subdivision 2 of § 58.1-609.8, or the partial exclusion for the sale of modular ~~buildings~~ *homes* as set out in § 58.1-610.1, or (ii) impose any sales or use tax with respect to the use in the performance of contracts with the United States, this Commonwealth, or any political subdivision thereof, of tangible personal property owned by a governmental body which actually is not used or consumed in the performance thereof.

F. Notwithstanding the other provisions of this section, any person engaged in the business of furnishing and installing locks and locking devices shall be deemed a retailer of such items and not a using or consuming contractor with respect to them.

§ 58.1-610.1. Modular homes manufacturers and retailers.

The retail sale of a modular ~~building~~ *home*, as defined by § 58.1-602, by a modular ~~building~~ *homes* manufacturer or modular ~~building~~ *homes* retailer, as defined by § 58.1-602, shall be subject to the tax authorized by this chapter upon sixty percent of the retail sales price. If the modular ~~building~~ *homes* manufacturer has paid such tax on the cost price of materials incorporated in a modular ~~building~~ *home* that has been constructed for sale without installation, it may credit against the tax shown to be due on the return the amount of sales or use tax paid on the cost of materials used in fabricating such a modular ~~building~~ *home*.

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

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

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

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

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

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

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

C. As used in this section, "food purchased for human consumption" has the same meaning as "~~food~~" defined in the Food Stamp Act of 1977, 7 U.S.C. § 2012, as amended, and federal regulations adopted pursuant to that Act, except it shall not include seeds and plants which produce food for human consumption *food and food ingredients as defined in § 58.1-602*. For the purpose of this section, "food purchased for human consumption" shall not include food *and food ingredients* sold by any retail establishment where the gross receipts derived from the sale of food prepared by such retail establishment for immediate consumption on or off the premises of the retail establishment constitutes more than 80 percent of the total gross receipts of that retail establishment, including but not limited to

920 motor fuel purchases, regardless of whether such prepared food is *and food ingredients are* consumed on  
921 the premises of that retail establishment. For purposes of this section, "retail establishment" means each  
922 place of business for which any "dealer," as defined in § 58.1-612, is required to apply for and receive a  
923 certificate of registration pursuant to § 58.1-613.

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

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

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

933 E. If the tax rate on food purchased for human consumption remains the same for the period January  
934 1, 2000, through March 31, 2001, and the subsequent 12-month period beginning on April 1, 2001, or  
935 with respect to any consecutive 12-month periods beginning on and after April 1, 2001, the tax rate on  
936 such food shall remain the same unless none of the conditions described in subsection D have occurred,  
937 in which event the tax rate on food purchased for human consumption for the immediately following  
938 12-month period shall be equal to the next lowest tax rate listed in subsection A.

939 § 58.1-612. Tax collectible from dealers; "dealer" defined; jurisdiction.

940 A. The tax levied by ~~§§ 58.1-603 and 58.1-604~~ *this chapter* shall be collectible from all persons who  
941 are dealers, as hereinafter defined, and who have sufficient contact with the Commonwealth to qualify  
942 under subsections B and C hereof.

943 B. The term "dealer," as used in this chapter, shall include every person who:

944 1. Manufactures or produces tangible personal property for sale at retail, for use, consumption, or  
945 distribution, or for storage to be used or consumed in this Commonwealth;

946 2. Imports or causes to be imported into this Commonwealth tangible personal property from any  
947 state or foreign country, for sale at retail, for use, consumption, or distribution, or for storage to be used  
948 or consumed in this Commonwealth;

949 3. Sells at retail, or who offers for sale at retail, or who has in his possession for sale at retail, or for  
950 use, consumption, or distribution, or for storage to be used or consumed in this Commonwealth, tangible  
951 personal property;

952 4. Has sold at retail, used, consumed, distributed, or stored for use or consumption in this  
953 Commonwealth, tangible personal property and who cannot prove that the tax levied by this chapter has  
954 been paid on the sale at retail, the use, consumption, distribution, or storage of such tangible personal  
955 property;

956 5. Leases or rents tangible personal property for a consideration, permitting the use or possession of  
957 such property without transferring title thereto;

958 6. Is the lessee or rentee of tangible personal property and who pays to the owner of such property a  
959 consideration for the use or possession of such property without acquiring title thereto;

960 7. As a representative, agent, or solicitor, of an out-of-state principal, solicits, receives and accepts  
961 orders from persons in this Commonwealth for future delivery and whose principal refuses to register as  
962 a dealer under § 58.1-613; ~~or~~

963 8. Becomes liable to and owes this Commonwealth any amount of tax imposed by this chapter,  
964 whether he holds, or is required to hold, a certificate of registration under § 58.1-613; *or*

965 9. *Qualifies as a Certified Service Provider, and as an agent, contractually agrees to perform all of*  
966 *the sales and use tax functions required under this chapter for another dealer, except to remit use tax*  
967 *on such other dealer's own purchases.*

968 C. A dealer shall be deemed to have sufficient activity within the Commonwealth to require  
969 registration under § 58.1-613 if he:

970 1. Maintains or has within this Commonwealth, directly or through an agent or subsidiary, an office,  
971 warehouse, or place of business of any nature;

972 2. Solicits business in this Commonwealth by employees, independent contractors, agents or other  
973 representatives;

974 3. Advertises in newspapers or other periodicals printed and published within this Commonwealth, on  
975 billboards or posters located in this Commonwealth, or through materials distributed in this  
976 Commonwealth by means other than the United States mail;

977 4. Makes regular deliveries of tangible personal property within this Commonwealth by means other  
978 than common carrier. A person shall be deemed to be making regular deliveries hereunder if vehicles  
979 other than those operated by a common carrier enter this Commonwealth more than ~~twelve~~ 12 times  
980 during a calendar year to deliver goods sold by him;

981 5. Solicits business in this Commonwealth on a continuous, regular, seasonal, or systematic basis by



means of advertising that is broadcast or relayed from a transmitter within this Commonwealth or distributed from a location within this Commonwealth;

6. Solicits business in this Commonwealth by mail, if the solicitations are continuous, regular, seasonal, or systematic and if the dealer benefits from any banking, financing, debt collection, or marketing activities occurring in this Commonwealth or benefits from the location in this Commonwealth of authorized installation, servicing, or repair facilities;

7. Is owned or controlled by the same interests, which own or control a business located within this Commonwealth;

8. Has a franchisee or licensee operating under the same trade name in this Commonwealth if the franchisee or licensee is required to obtain a certificate of registration under § 58.1-613; or

9. Owns tangible personal property that is rented or leased to a consumer in this Commonwealth, or offers tangible personal property, on approval, to consumers in this Commonwealth;

10. *Makes sales into this Commonwealth and such dealer's registration is allowed under federal law; or*

11. *Volunteers under the terms of the Agreement to register and collect the tax imposed by this chapter either on its own behalf or through an agent that qualifies as a Certified Service Provider.*

D. Notwithstanding any other provision of this section, the following shall not be considered to determine whether a person who has contracted with a commercial printer for printing in the Commonwealth is a "dealer" and whether such person has sufficient contact with the Commonwealth to be required to register under § 58.1-613:

1. The ownership or leasing by that person of tangible or intangible property located at the Virginia premises of the commercial printer which is used solely in connection with the printing contract with the person;

2. The sale by that person of property of any kind printed at and shipped or distributed from the Virginia premises of the commercial printer;

3. Activities in connection with the printing contract with the person performed by or on behalf of that person at the Virginia premises of the commercial printer; and

4. Activities in connection with the printing contract with the person performed by the commercial printer within Virginia for or on behalf of that person.

E. In addition to the jurisdictional standards contained in subsection C of this section, nothing contained herein (other than subsection D) shall limit any authority which this Commonwealth may enjoy under the provisions of federal law or an opinion of the United States Supreme Court to require the collection of sales and use taxes by any dealer who ~~regularly or systematically~~ solicits sales within this Commonwealth. Furthermore, nothing contained in subsection C shall require any broadcaster, printer, outdoor advertising firm, advertising distributor, or publisher which broadcasts, publishes, or displays or distributes paid commercial advertising in this Commonwealth which is intended to be disseminated primarily to consumers located in this Commonwealth to report or impose any liability to pay any tax imposed under this chapter solely because such broadcaster, printer, outdoor advertising firm, advertising distributor, or publisher accepted such advertising contracts from out-of-state advertisers or sellers.

§ 58.1-613. Dealers' certificates of registration.

A. Every person *required to or* desiring to engage in or conduct business as a dealer in this Commonwealth shall file ~~with the Tax Commissioner~~ an application for a certificate of registration for each place of business in this Commonwealth.

B. Every application for a certificate of registration shall set forth the name under which the applicant transacts or intends to transact business, the location of his place or places of business, and such other information as the Tax Commissioner may require. *In addition, each applicant must set forth which approved method he will use to remit the taxes collected.*

C. When the required application has been made the Tax Commissioner shall issue to each applicant a separate certificate of registration for each place of business ~~within this Commonwealth~~. A certificate of registration is not assignable and is valid only for the person in whose name it is issued and for the transaction of business at the place designated therein. ~~It~~ *When issued for a place of business in this Commonwealth, it shall be at all times conspicuously displayed at the place for which issued.*

D. Whenever any person fails to comply with any provision of this chapter or any rule or regulation relating thereto, the Tax Commissioner, upon hearing after giving such person ~~ten~~ 10 days' notice in writing, specifying the time and place of hearing and requiring him to show cause why his certificate of registration should not be revoked or suspended, may revoke or suspend any one or more of the certificates of registration held by such person. The notice may be personally served or served by registered mail directed to the last known address of such person.

E. Any person who engages in business as a dealer in this Commonwealth without obtaining a certificate of registration, or after a certificate of registration has been suspended or revoked, and each

1043 officer of any corporation ~~which~~ *that* so engages in business shall be guilty of a Class 2 misdemeanor.  
1044 Each day's continuance in business in violation of this section shall constitute a separate offense.

1045 F. If the holder of a certificate of registration ceases to conduct his business at the place specified in  
1046 his certificate, the certificate shall thereupon expire, and such holder shall inform the Tax Commissioner  
1047 in writing within thirty days after he has ceased to conduct such business at such place that he has so  
1048 ceased. If the holder of a certificate of registration desires to change his place of business to another  
1049 place in this Commonwealth, he shall so inform the Tax Commissioner in writing and his certificate  
1050 shall be revised accordingly.

1051 G. This section shall also apply to any person who engages in the business of furnishing any of the  
1052 things or services taxable under this chapter. Moreover, it shall apply to any person who is liable only  
1053 for the collection of the use tax.

1054 H. At the request of a local commissioner of revenue, the Tax Commissioner shall provide, on a  
1055 quarterly basis, a listing of new businesses in the locality which obtained a certificate of registration.

1056 § 58.1-614. Vending machine sales.

1057 A. Notwithstanding the provisions of §§ 58.1-603 and 58.1-604, whenever a dealer makes sales of  
1058 tangible personal property through vending machines, or in any other manner making collection of the  
1059 tax impractical, as determined by the Tax Commissioner, such dealer shall be required to report his  
1060 wholesale purchases for sale at retail from vending machines and shall be required to remit an amount  
1061 based on four and one-half percent of such wholesale purchases.

1062 B. Notwithstanding the provisions of §§ 58.1-605 and 58.1-606, dealers making sales of tangible  
1063 personal property through vending machines shall report and remit the one percent local sales and use  
1064 tax computed as provided in subsection A of this section.

1065 C. The provisions of subsections A and B of this section shall not be applicable to vending machine  
1066 operators all of whose machines are under contract to nonprofit organizations. Such operators shall  
1067 report only the gross receipts from machines selling items for more than ~~ten~~10 cents and shall be  
1068 required to remit an amount based on a percentage of their remaining gross sales established by the Tax  
1069 Commissioner to take into account the inclusion of sales tax.

1070 D. Notwithstanding any other provisions in this section ~~or § 58.1-628~~, when the Tax Commissioner  
1071 determines that it is impractical to collect the tax in the manner provided by those sections, such dealer  
1072 shall be required to remit an amount based on a percentage of gross receipts which takes into account  
1073 the inclusion of the sales tax.

1074 E. The provisions of this section shall not be applicable to any dealer who fails to maintain records  
1075 satisfactory to the Tax Commissioner. A dealer making sales of tangible personal property through  
1076 vending machines shall obtain a certificate of registration under § 58.1-613 in relevant form for each  
1077 county or city in which he has machines.

1078 § 58.1-615. Returns by dealers.

1079 A. Every dealer required to collect or pay the sales or use tax shall, on or before the twentieth day  
1080 of the month following the month in which the tax shall become effective, transmit to the Tax  
1081 Commissioner a return showing the gross sales, gross proceeds, or ~~cost~~purchase price, as the case may  
1082 be, arising from all transactions taxable under this chapter during the preceding calendar month, and  
1083 thereafter a like return shall be prepared and transmitted to the Tax Commissioner by every dealer on or  
1084 before the twentieth day of each month, for the preceding calendar month. In the case of dealers  
1085 regularly keeping books and accounts on the basis of an annual period which varies ~~fifty-two~~52 to  
1086 ~~fifty-three~~53 weeks, the Tax Commissioner may make rules and regulations for reporting consistent with  
1087 such accounting period.

1088 *Any dealer, not otherwise deemed to have sufficient activity within the Commonwealth which is*  
1089 *registered pursuant to subdivision B 9 or subdivision C 11 of § 58.1-612, shall remit the returns*  
1090 *required under this section within one year of the month of initial registration and annually for*  
1091 *succeeding years, except such dealer is required to file a return in the month following any month in*  
1092 *which they have accumulated \$1,000 or more in tax collected.*

1093 Notwithstanding any other provision of this chapter, a dealer may be required by the Tax  
1094 Commissioner to file sales or use tax returns on an accounting period less frequent than monthly when,  
1095 in the opinion of the Tax Commissioner, the administration of the taxes imposed by this chapter would  
1096 be enhanced. If a dealer is required to file other than monthly, each such return shall be due on or  
1097 before the twentieth day of the month following the close of the period. Each such return shall contain  
1098 all information required for monthly returns.

1099 *A With the exception of dealers, not otherwise deemed to have sufficient activity within the*  
1100 *Commonwealth registered pursuant to subdivision B 9 or subdivision C 11 of § 58.1-612, a sales or use*  
1101 *tax return shall be filed by each registered dealer even though the dealer is not liable to remit to the Tax*  
1102 *Commissioner any tax for the period covered by the return.*

1103 B. 1. In addition to the amounts required under the provisions of this section and § 58.1-616, any  
1104 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~~ 12-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.

§ 58.1-618. Assessment based on estimate.

A. If any dealer fails to make a return as provided by this chapter, or a return that is false or fraudulent, it shall be the duty of the Tax Commissioner to make an estimate for the taxable period of the retail sales or distributions of such dealer, or of the gross proceeds from leases of tangible personal property, or taxable services by such dealer, or the ~~cost~~ purchase price of all articles of tangible personal property imported by such dealer for use or consumption in the Commonwealth, or storage by such dealer of tangible personal property to be used or consumed in the Commonwealth, and assess the tax, plus such penalties as are provided in this chapter. The Tax Commissioner shall give such dealer ~~ten~~ 10 days' notice in writing requiring such dealer to appear before him with such books, records, and papers as he may require relating to the business of such dealer for such taxable period. The Tax Commissioner may require such dealer or the agents and employees of such dealer to give testimony or to answer interrogatories under oath administered by the Tax Commissioner respecting such sale, distribution, lease, use, consumption, or storage of tangible personal property, or taxable services, or the failure to make a return thereof as provided in this chapter. If any dealer fails to make any such return or refuses to permit an examination of his books, records, or papers, or to appear and answer questions within the scope of such investigation, the Tax Commissioner is hereby authorized to make the assessment based upon such information as may be available to him and to issue a memorandum of lien under § 58.1-1805 for the collection of any such taxes and penalties so found to be due. The assessment so made shall be deemed prima facie correct.

B. If the dealer has imported tangible personal property and fails to produce an invoice showing the sales price of the articles, or the invoice does not reflect the true or actual sales price as defined in this chapter, then the Tax Commissioner shall ascertain, in any manner feasible, the true sales price and assess and collect the tax, with penalties, to the extent such have accrued, on the true sales price as ascertained by him. The assessment so made shall be deemed prima facie correct.

C. In the case of the lease of tangible personal property, if the consideration given or reported by the dealer, in the judgment of the Tax Commissioner, does not represent the true or actual consideration, then the Tax Commissioner is authorized to fix the same and assess and collect the tax thereon in the same manner as above provided, with penalties to the extent such have accrued. The assessment so made shall be deemed prima facie correct.

§ 58.1-621. Bad debts.

A. In any return filed under the provisions of this chapter, the dealer may credit, against the tax shown to be due on the return, the amount of sales or use tax previously returned and paid on accounts ~~which that~~ are owed to the dealer and ~~which that~~ have been found to be worthless ~~written off as uncollectible in the dealer's books and records and eligible to be deducted for federal income tax purposes~~ within the period covered by the return. *For purposes of this subsection, a dealer who is not required to file federal income tax returns may deduct a bad debt on a return filed for the period in which the bad debt is written off as uncollectible in the dealer's books and records and would be eligible for a bad debt deduction for federal income tax purposes if the dealer was required to file a federal income tax return.* The credit, however, shall not exceed the amount of the uncollected sales price determined by treating prior payments on each debt as consisting of the same proportion of sales price, sales tax and other nontaxable charges as in the total debt originally owed to the dealer. The amount of accounts for which a credit has been taken that are thereafter in whole or in part paid to the dealer shall be included in the first return filed after such collection.

B. *For purposes of calculating the amount of bad debt under subsection A, a dealer shall utilize the federal definition of "bad debt" in 26 U.S.C., Section 166, excluding:*

- 1166 1. *Financing charges or interest;*  
 1167 2. *Sales or use taxes charged on the purchase price;*  
 1168 3. *Uncollectible amounts on property that remain in the possession of the dealer until the full*  
 1169 *purchase price is paid; and*  
 1170 4. *Expenses incurred in attempting to collect any debt, and repossessed property.*

1171 C. *When the amount of the bad debt exceeds the amount of taxable sales for the period, which the*  
 1172 *bad debt is written off, a refund claim may be filed under § 58.1-1823. The statute of limitations shall*  
 1173 *be measured from the due date of the return on which the bad debt could first be claimed. In the event*  
 1174 *that the dealer is a Certified Service Provider acting as an agent for another dealer, such Certified*  
 1175 *Service Provider must credit or refund the full amount of any bad debt allowance or refund received to*  
 1176 *the dealer for which they serve as agent.*

1177 § 58.1-622. Discount.

1178 A. For the purpose of compensating a dealer holding a certificate of registration under § 58.1-613 for  
 1179 accounting for and remitting the tax levied by this chapter, such dealer shall be allowed the following  
 1180 percentages of the first three percent of the tax levied by §§ 58.1-603 and 58.1-604 and accounted for in  
 1181 the form of a deduction in submitting his return and paying the amount due by him if the amount due  
 1182 was not delinquent at the time of payment.

1183 Monthly Taxable Sales	Percentage
1184 \$ 0 to \$62,500	4%
1185 \$ 62,501 to \$208,000	3%
1186 \$ 208,001 and above	2%

1187  
 1188 The discount allowed by this section shall be computed according to the schedule provided,  
 1189 regardless of the number of certificates of registration held by a dealer.

1190 B. *In addition to the discount allowed under subsection A, the Tax Commissioner is authorized to*  
 1191 *allow a monetary allowance to Model 1, Model 2 and Model 3 sellers for new technology necessary to*  
 1192 *facilitate the collection of sales and use taxes. Such amount will be determined by the national*  
 1193 *Governing Board charged with administering the Streamlined Sales and Use Tax Agreement.*

1194 § 58.1-623. Sales or leases presumed subject to tax; exemption certificates.

1195 A. All sales or leases are subject to the tax until the contrary is established. The burden of proving  
 1196 that a sale, distribution, lease, or storage of tangible personal property is not taxable is upon the dealer  
 1197 unless he takes from the taxpayer a certificate to the effect that the property is exempt under this  
 1198 chapter.

1199 B. (Effective until July 1, 2004) The certificate mentioned in this section shall relieve the person  
 1200 who takes such certificate from any liability for the payment or collection of the tax, except upon notice  
 1201 from the Tax Commissioner that such certificate is no longer acceptable. Such certificate shall be signed  
 1202 by and bear the name and address of the taxpayer; shall indicate the number of the certificate of  
 1203 registration, if any, issued to the taxpayer; shall indicate the general character of the tangible personal  
 1204 property sold, distributed, leased, or stored, or to be sold, distributed, leased, or stored under a blanket  
 1205 exemption certificate; and shall be substantially in such form as the Tax Commissioner may prescribe. If  
 1206 an exemption pertains to a nonprofit organization, other than a nonprofit church, that has qualified for a  
 1207 sales and use tax exemption under §§ 58.1-609.4, 58.1-609.7, 58.1-609.8, 58.1-609.9 or § 58.1-609.10,  
 1208 the exemption certificate shall be valid until the scheduled expiration of the applicable provision of such  
 1209 section, which expiration date shall be stated on the exemption certificate or certificate of registration  
 1210 issued to the organization.

1211 B. (Effective July 1, 2004) The certificate mentioned in this section shall relieve the person who  
 1212 takes such certificate from any liability for the payment or collection of the tax, except ~~upon notice in~~  
 1213 *the event that the person who fraudulently takes such certificate fails to collect the tax or solicits*  
 1214 *purchasers to participate in the unlawful claim of an exemption. Such certificate shall remain in effect*  
 1215 *until such time as notice is given from the Tax Commissioner that such certificate is no longer*  
 1216 *acceptable. Such The certificate may be either in electronic form or in paper form. In the event that the*  
 1217 *certificate is in electronic form, such certificate is not required to bear the signature of the purchaser.*  
 1218 *Otherwise such certificate shall be signed by and bear the name and address of the taxpayer; shall*  
 1219 *indicate the number of the certificate of registration, if any, issued to the taxpayer; shall indicate the*  
 1220 *general character of the tangible personal property sold, distributed, leased, or stored, or to be sold,*  
 1221 *distributed, leased, or stored under a blanket exemption certificate; and shall be substantially in such*  
 1222 *form as the Tax Commissioner may prescribe. If an exemption pertains to a nonprofit organization,*  
 1223 *other than a nonprofit church, that has qualified for a sales and use tax exemption under § 58.1-609.11,*  
 1224 *the exemption certificate shall be valid until the scheduled expiration date stated on the exemption*  
 1225 *certificate.*

1226 C. If a taxpayer who gives a certificate under this section makes any use of the property other than

an exempt use or retention, demonstration, or display while holding the property for resale, distribution, or lease in the regular course of business, such use shall be deemed a taxable sale by the taxpayer as of the time the property or service is first used by him, and the cost of the property to him shall be deemed the sales price of such retail sale. If the sole use of the property other than retention, demonstration, or display in the regular course of business is the rental of the property while holding it for sale, distribution, or lease, the taxpayer may elect to pay the tax on the amount of the rental charged, rather than the cost of the property to him.

D. If a taxpayer gives a certificate under this section with respect to the purchase of fungible goods and thereafter commingles these goods with other fungible goods not so purchased, but of such similarity that the identity of the constituent goods in the commingled mass cannot be determined, sales or distributions from the mass of commingled goods shall be deemed to be sales or distributions of the goods so purchased until a quantity of commingled goods equal to the quantity of purchased goods so commingled has been sold or distributed.

§ 58.1-626. Absorption of tax prohibited.

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

§ 58.1-628.2. Tax computation.

A. In computing the amount of tax due pursuant to this chapter:

1. The tax computation must be carried to the third decimal place, and

2. The tax must be rounded to a whole cent using a method that rounds up to the next cent whenever the third decimal place is greater than four.

B. Each dealer must make a one-time binding election to compute the tax due on a transaction on either an item-by-item basis or on an invoice basis.

C. The rounding rule set out in subsection A shall be applied to the aggregated amount of state and local tax due.

§ 58.1-635. Failure to file return; fraudulent return; civil penalties.

A. When any dealer fails to make any return and pay the full amount of the tax required by this chapter, there shall be imposed, in addition to other penalties provided herein, a specific penalty to be added to the tax in the amount of six percent if the failure is for not more than one month, with an additional six percent for each additional month, or fraction thereof, during which the failure continues, not to exceed ~~thirty~~30 percent in the aggregate. In no case, however, shall the penalty be less than ~~ten~~ \$10 and such minimum penalty shall apply whether or not any tax is due for the period for which such return was required. If such failure is due to providential or other good cause shown to the satisfaction of the Tax Commissioner, such return with or without remittance may be accepted exclusive of penalties. In the case of a false or fraudulent return where willful intent exists to defraud the Commonwealth of any tax due under this chapter, or in the case of a willful failure to file a return with the intent to defraud the Commonwealth of any such tax, a specific penalty of ~~fifty~~50 percent of the amount of the proper tax shall be assessed. All penalties and interest imposed by this chapter shall be payable by the dealer and collectible by the Tax Commissioner in the same manner as if they were a part of the tax imposed.

B. It shall be prima facie evidence of intent to defraud the Commonwealth of any tax due under this chapter when any dealer reports his gross sales, gross proceeds or ~~cost~~purchase price, as the case may be, at ~~fifty~~50 percent or less of the actual amount.

C. Interest at a rate determined in accordance with § 58.1-15, shall accrue on the tax until the same is paid, or until an assessment is made, pursuant to § 58.1-15, after which interest shall accrue as provided therein.

§ 58.1-635.1. Taxability matrix, reliance on same.

A. The Department shall develop and maintain a taxability matrix, and make such matrix available to dealers. Such matrix will be in the form of an electronic database and shall set forth the taxable status, under this chapter, for each item or transaction listed in the matrix. The format of such matrix will be consistent with requirements set forth by the Governing Board charged with administering the Streamlined Sales and Use Tax Agreement.

B. In the event that an item or transaction is not contained in the matrix or absent specific guidance with respect to the taxability of an item or transaction listed in the matrix, the tax imposed by this chapter or pursuant to the authority granted in §§ 58.1-605 and 58.1-606 shall apply.

C. Any dealer that can demonstrate to the satisfaction of the Tax Commissioner that such dealer failed to charge or collect the proper amount of tax due solely to the reliance on incorrect data contained in the matrix required pursuant to subsection A, shall be relieved from the liability for failing to charge or collect the proper amount of tax.

§ 58.1-635.2. *Amnesty for certain registrations.*

A. Any dealer, not otherwise deemed to have sufficient activity within the Commonwealth registered pursuant to subdivision B 9 or subdivision C 11 of § 58.1-612, may qualify for amnesty for previously uncollected or unpaid taxes provided the dealer was not so registered in the Commonwealth in the 12-month period preceding the effective date of the Commonwealth's participation in the Agreement. Such amnesty shall preclude assessment for uncollected or unpaid sales or use tax together with penalty or interest for sales made during the period the dealer was not registered in the Commonwealth, provided registration occurs within 12 months of the effective date of the Commonwealth's participation in the Agreement.

B. Amnesty shall not be available to a seller with respect to any matter or matters for which the seller received notice of the commencement of an audit and which audit is not yet finally resolved including any related administrative and judicial processes, for sales or use taxes already paid or remitted to the Commonwealth, or for taxes collected by the dealer and not remitted.

C. The provisions of subsection A shall be applicable, absent the dealer's fraud or intentional misrepresentation of a material fact, as long as the dealer continues to be registered and continues payment or collection and remittance of applicable sales or use taxes for a period of at least 36 months.

D. The provisions of subsection A are applicable only to sales or use taxes due from the dealer in its capacity as a seller and not to sales or use taxes due from a dealer in its capacity as a buyer.

§ 58.1-639.1. *Tax Commissioner's duties.*

In addition to the duties set forth under § 58.1-202, the Tax Commissioner is hereby authorized to represent the Commonwealth in administrative matters before the Governing Board charged with administering the Streamlined Sales and Use Tax Agreement. Therefore, the Tax Commissioner's duties include, but are not limited to:

1. Filing the petition for membership;
2. Completing the certificate of compliance, as necessary;
3. Preparing the annual recertification for membership; and
4. Representing the Commonwealth before the Governing Board in all matters related to the application of the Agreement to the provisions of this chapter.

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

A. Any county is hereby authorized to levy a tax on food and beverages sold, for human consumption, by a restaurant, as such term is defined in subdivision 9 of § 35.1-1, not to exceed ~~eight and one-half percent, when added to the state and local general sales and use tax,~~ four percent of the amount charged for such food and beverages. Such tax shall not be levied on food and beverages sold through vending machines or by any person described in subdivisions 1, 2, 3, and 5 of § 35.1-25, as 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 and food ingredients as defined in § 58.1-602, 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, *regardless of whether or not such items qualify as food and food ingredients.*

§ 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 and food ingredients as defined in § 58.1-602, 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, *regardless of whether or not such items qualify as food and food ingredients.*

C. Any city or town that is authorized to levy a tax on admissions may levy the tax on admissions paid for any event held at facilities that are not owned by the city or town at a lower rate than the rate levied on admissions paid for any event held at its city- or town-owned civic centers, stadiums and amphitheatres.

**2. That §§ 58.1-627 and 58.1-628 of the Code of Virginia are repealed effective July 1, 2006.**

**3. That this act shall become effective on July 1, 2006.**