

1 VIRGINIA ACTS OF ASSEMBLY — CHAPTER

2 *An Act to amend and reenact § 58.1-602 of the Code of Virginia, relating to sales and use tax;*
3 *automotive refinish repair materials.*

4 [H 2762]

5 Approved

6 **Be it enacted by the General Assembly of Virginia:**7 **1. That § 58.1-602 of the Code of Virginia is amended and reenacted as follows:**

8 § 58.1-602. Definitions.

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

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

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

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

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

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

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

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

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

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

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

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

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

55 "Lease or rental" means the leasing or renting of tangible personal property and the possession or use
56 thereof by the lessee or renter for a consideration, without transfer of the title to such property.
57

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

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

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

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

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

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

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

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

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

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

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

114 The terms "retail sale" and a "sale at retail" shall specifically include the following: (i) the sale or
 115 charges for any room or rooms, lodgings, or accommodations furnished to transients for less than 90
 116 continuous days by any hotel, motel, inn, tourist camp, tourist cabin, camping grounds, club, or any
 117 other place in which rooms, lodging, space, or accommodations are regularly furnished to transients for
 118 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; *and (iii) the separately stated charge made for automotive refinish repair materials that are permanently applied to or affixed to a motor vehicle during its repair.* The Tax Commissioner is authorized to promulgate regulations requiring vendors of or sellers to such persons to collect the tax imposed by this chapter on the cost price of such tangible personal property to such persons and may refuse to issue certificates of registration to such persons.

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

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

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

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

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

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

"Tangible personal property" means personal property which may be seen, weighed, measured, felt, or touched, or is in any other manner perceptible to the senses. The term "tangible personal property" shall not include stocks, bonds, notes, insurance or other obligations or securities. The term "tangible personal property" shall include telephone calling cards upon their initial sale, which shall be exempt from all other state and local utility taxes.

"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

180 maintenance or administration. When used in relation to mining, it shall refer to the activities specified
181 above, and in addition, any reclamation activity of the land previously mined by the mining company
182 required by state or federal law.

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

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