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**HOUSE BILL NO. 1426**

Offered January 16, 2006

A *BILL to amend and reenact §§ 33.1-23.03:1, 56-557, 56-558, 56-560, 56-564, 56-566, 56-567.1, 56-573.1, 58.1-811, 58.1-3203, and 58.1-3703 of the Code of Virginia and to amend the Code of Virginia by adding sections numbered 33.1-23.03:9 and 58.1-3606.1, relating to concession agreements pursuant to the Public-Private Transportation Act of 1995 and the taxation thereof; allocation of concession payments.*

Patrons—Wardrup, Callahan, Cosgrove, Crockett-Stark, Fralin, Howell, W.J., Hugo, Iaquinto, Jones, S.C., Landes, May, Moran, Nixon, O'Bannon, Oder, Purkey, Reid, Rust, Saxman, Scott, E.T., Valentine, Ward, Welch and Wittman; Senators: Hawkins, Houck, Howell, Norment, Saslaw, Stolle, Stosch, Watkins and Williams

Referred to Committee on Transportation

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

**1. That §§ 33.1-23.03:1, 56-557, 56-558, 56-560, 56-564, 56-566, 56-567.1, 56-573.1, 58.1-811, 58.1-3203, and 58.1-3703 of the Code of Virginia are amended and reenacted and that the Code of Virginia is amended by adding sections numbered 33.1-23.03:9 and 58.1-3606.1 as follows:**

§ 33.1-23.03:1. Transportation Trust Fund.

There is hereby created in the Department of the Treasury a special nonreverting fund to be known as the Transportation Trust Fund, consisting of:

1. Funds remaining for highway construction purposes, among the several highway systems pursuant to § 33.1-23.1.

2. [Repealed.]

3. The additional revenues generated by enactments of Chapters 11, 12 and 15 of the Acts of Assembly, 1986 Special Session, and designated for this fund.

4. Tolls and other revenues derived from the projects financed or refinanced pursuant to this title which are payable into the state treasury and tolls and other revenues derived from other transportation projects, which may include upon the request of the applicable appointed governing body, as soon as their obligations have been satisfied, such tolls and revenue derived for transportation projects pursuant to § 33.1-253 (Chesapeake Bay Bridge and Tunnel District) and § 33.1-320 (Richmond Metropolitan Authority) or if the appointed governing body requests refunding or advanced refunding by the Board and such refunding or advanced refunding is approved by the General Assembly. Such funds shall be held in separate subaccounts of the Transportation Trust Fund to the extent required by law or the Board.

5. Tolls and other revenues derived from the Richmond-Petersburg Turnpike, provided that such funds shall be held in a separate subaccount of the Transportation Trust Fund and allocated as set forth in Chapter 574 of the Acts of Assembly of 1983 until expiration of that Act.

6. Such other funds as may be appropriated by the General Assembly from time to time, and designated for this fund.

7. All interest, dividends and appreciation which may accrue to the Transportation Trust Fund and the Highway Maintenance and Construction Fund, except that interest on funds becoming part of the Transportation Trust Fund under subdivision 1 and the Highway Maintenance and Construction Fund shall not become part of the Transportation Trust Fund until July 1, 1988.

8. All amounts required by contract to be paid over to the Transportation Trust Fund.

9. *Concession payments paid to the Commonwealth by a private entity pursuant to the Public-Private Transportation Act of 1995 (§ 56-556 et seq.).*

§ 33.1-23.03:9. *Concession Payments Account.*

A. *Concession payments to the Commonwealth deposited into the Transportation Trust Fund pursuant to subdivision 9 of § 33.1-23.03:1 in excess of the annual debt service, amounts to defease any outstanding debts, operations and maintenance expenses, necessary administrative costs, or other obligations from qualifying transportation facilities developed and/or operated pursuant to the Public-Private Transportation Act of 1995 (§ 56-556 et seq.) shall be held in a separate subaccount to be designated the "Concession Payments Account," hereinafter referred to as "the Account," together with all interest, dividends, and appreciation that accrue to the Account and that are not otherwise specifically directed by law or reserved by the Board for other purposes allowed by law.*

B. *The Board may make allocations from the Account upon such terms and subject to such conditions as the Board deems appropriate, to:*

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1. Pay or finance all or part of the costs, including the costs of planning, operation, maintenance, and improvements incurred in connection with the acquisition and construction of projects, provided that allocations from the Account shall be limited to projects that are reasonably related to and benefit the users of the qualifying transportation facility that was the subject of a concession pursuant to the Public Private Transportation Act. The priorities of metropolitan planning organizations, planning district commissions, local governments, and transportation corridors shall be considered by the Board in making project allocations from moneys in the Account.

2. Make funds available through the Toll Facilities Revolving Account or the Transportation Partnership Opportunity Fund.

3. Pay the Board's reasonable costs and expenses incurred in the administration and management of the Account.

C. The provisions of this section shall be liberally construed to the end that its beneficial purposes may be effectuated. Insofar as this provision is inconsistent with the provisions of any other general, special, or local law, this provision shall be controlling.

D. If any provision of this section or the application thereof to any person or circumstances is held invalid by a court of competent jurisdiction, such invalidity shall not affect other provisions or applications of this section that can be given effect without the invalid provision or application, and to this end the provisions of this section are declared to be severable.

#### § 56-557. Definitions.

As used in this chapter, unless the context requires a different meaning:

"Affected jurisdiction" means any county, city or town in which all or a portion of a qualifying transportation facility is located and any other responsible public entity directly affected by the qualifying transportation facility.

"Asset management" means a systematic process of operating and maintaining the state system of highways by combining engineering practices and analyses with sound business practices and economic theory to achieve cost-effective outcomes. A concession shall not constitute asset management.

"Commission" means the State Corporation Commission.

"Comprehensive agreement" means the comprehensive agreement between the private entity and the responsible public entity required by § 56-566 of this chapter.

"Concession" means any lease, license, franchise, easement, or other binding agreement transferring rights for the use or control, in whole or in part, of a qualifying transportation facility by a responsible public entity to a private entity for a definite term during which the private entity will provide transportation-related services including, but not limited to, operations and maintenance, revenue collection, toll-collection enforcement, design, construction, and other activities that enhance throughput, reduce congestion, or otherwise manage the facility in return for the right to receive all or a portion of the revenues of the qualifying transportation facility.

"Concession payment" means a payment from a private entity to a responsible public entity in connection with the development and/or operation of a qualifying transportation facility pursuant to a concession.

"Develop" or "development" means to plan, design, develop, finance, lease, acquire, install, construct, or expand.

"Interim agreement" means an agreement, including a memorandum of understanding or binding preliminary agreement, between the private entity and the responsible public entity that provides for completion of studies and any other activities to advance the development and/or operation of a qualifying transportation facility.

"Maintenance" means that term as defined in § 33.1-23.02.

"Material default" means any default by the private entity in the performance of its duties under subsection E of § 56-565 of this chapter that jeopardizes adequate service to the public from a qualifying transportation facility and remains unremedied after the responsible public entity has provided notice to the private entity and a reasonable cure period has elapsed.

"Multimodal transportation facility" means a transportation facility consisting of multiple modes of transportation.

"Operate" or "operation" means to finance, maintain, improve, equip, modify, repair, or operate.

"Private entity" means any natural person, corporation, general partnership, limited liability company, limited partnership, joint venture, business trust, public benefit corporation, non-profit entity or other business entity.

"Public entity" means the Commonwealth and any agency or authority thereof, any county, city, or town and any other political subdivision of any of the foregoing, but shall not include any public service company.

"Qualifying transportation facility" means one or more transportation facilities developed and/or operated by a private entity pursuant to this chapter.

"Responsible public entity" means a public entity, including local governments and regional

authorities, that has the power to develop and/or operate the qualifying transportation facility.

"Revenues" means all revenues, including, but not limited to, income, earnings, user fees, lease payments, allocations, federal, state, *regional*, and local appropriations or the appropriations or other funds available to any political subdivision, authority, or instrumentality thereof, bond proceeds, equity investments, and/or service payments arising out of or in connection with supporting the development and/or operation of a qualifying transportation facility, including without limitation, money received as grants or otherwise from the United States of America, from any public entity, or from any agency or instrumentality of the foregoing in aid of such facility.

"Service contract" means a contract entered into between a public entity and the private entity pursuant to § 56-561 of this chapter.

"Service payments" means payments to the private entity in connection with the development and/or operation of a qualifying transportation facility pursuant to a service contract.

"State" means the Commonwealth of Virginia.

"Transportation facility" means any road, bridge, tunnel, overpass, ferry, airport, mass transit facility, vehicle parking facility, port facility or similar commercial facility used for the transportation of persons or goods, together with any buildings, structures, parking areas, appurtenances, and other property needed to operate such facility.

"User fees" mean the rates, tolls, fees, or other charges imposed by the private entity for use of all or a portion of a qualifying transportation facility pursuant to the interim or comprehensive agreement.

§ 56-558. Policy.

A. The General Assembly finds that:

1. There is a public need for timely development and/or operation of transportation facilities within the Commonwealth that address the needs identified by the appropriate state, regional, or local transportation plan by improving safety, reducing congestion, increasing capacity, and/or enhancing economic efficiency and that such public need may not be wholly satisfied by existing methods of procurement in which qualifying transportation facilities are developed and/or operated;

2. Such public need may not be wholly satisfied by existing ways in which transportation facilities are developed and/or operated; and

3. Authorizing private entities to develop and/or operate one or more transportation facilities may result in the ~~availability~~ development and/or operation of such transportation facilities to the public in a more timely, more efficient, or less costly fashion, thereby serving the public safety and welfare.

B. An action, other than the approval of the responsible public entity under § 56-560 of this chapter, shall serve the public purpose of this chapter if such action, *including undertaking a concession*, facilitates the timely development of a ~~qualifying transportation facility~~ or the and/or operation of a qualifying transportation facility.

C. It is the intent of this chapter, among other things, to encourage investment in the Commonwealth by private entities that facilitates the development and/or operation of transportation facilities. Accordingly, public and private entities may have the greatest possible flexibility in contracting with each other for the provision of the public services which are the subject of this chapter.

D. This chapter shall be liberally construed in conformity with the purposes hereof.

§ 56-560. Approval by the responsible public entity.

A. The private entity may request approval by the responsible public entity. Any such request shall be accompanied by the following material and information unless waived by the responsible public entity in its guidelines or other instructions given, in writing, to the private entity with respect to the transportation facility or facilities that the private entity proposes to develop and/or operate as a qualifying transportation facility:

1. A topographic map (1:2,000 or other appropriate scale) indicating the location of the transportation facility or facilities;

2. A description of the transportation facility or facilities, including the conceptual design of such facility or facilities and all proposed interconnections with other transportation facilities;

3. The proposed date for development and/or operation of the transportation facility or facilities along with an estimate of the life-cycle cost of the transportation facility as proposed;

4. A statement setting forth the method by which the private entity proposes to secure any property interests required for the transportation facility or facilities;

5. Information relating to the current transportation plans, if any, of each affected jurisdiction;

6. A list of all permits and approvals required for developing and/or operating improvements to the transportation facility or facilities from local, state, or federal agencies and a projected schedule for obtaining such permits and approvals;

7. A list of public utility facilities, if any, that will be crossed by the transportation facility or facilities and a statement of the plans of the private entity to accommodate such crossings;

8. A statement setting forth the private entity's general plans for developing and/or operating the

179 transportation facility or facilities, including identification of any revenue, public or private, or proposed  
180 debt or equity investment *or concession* proposed by the private entity;

181 9. The names and addresses of the persons who may be contacted for further information concerning  
182 the request;

183 10. Information on how the private entity's proposal will address the needs identified in the  
184 appropriate state, regional, or local transportation plan by improving safety, reducing congestion,  
185 increasing capacity, and/or enhancing economic efficiency; and

186 11. Such additional material and information as the responsible public entity may reasonably request  
187 pursuant to its guidelines or other written instructions.

188 B. The responsible public entity may request proposals from private entities for the development  
189 and/or operation of transportation facilities. The responsible public entity shall not charge a fee to cover  
190 the costs of processing, reviewing, and evaluating proposals received in response to such requests.

191 C. The responsible public entity may grant approval of the development and/or operation of the  
192 transportation facility or facilities as a qualifying transportation facility if the responsible public entity  
193 determines that it serves the public purpose of this chapter. The responsible public entity may determine  
194 that the development and/or operation of the transportation facility or facilities as a qualifying  
195 transportation facility serves such public purpose if:

196 1. There is a public need for the transportation facility or facilities the private entity proposes to  
197 develop and/or operate as a qualifying transportation facility;

198 2. The transportation facility or facilities and the proposed interconnections with existing  
199 transportation facilities, and the private entity's plans for development and/or operation of the qualifying  
200 transportation facility or facilities, are, in the opinion of the responsible public entity, reasonable and  
201 will address the needs identified in the appropriate state, regional, or local transportation plan by  
202 improving safety, reducing congestion, increasing capacity, and/or enhancing economic efficiency;

203 3. The estimated cost of *developing and/or operating* the transportation facility or facilities is  
204 reasonable in relation to similar facilities; and

205 4. The private entity's plans will result in the timely development and/or operation of the  
206 transportation facility or facilities or their more efficient operation.

207 In evaluating any request, the responsible public entity may rely upon internal staff reports prepared  
208 by personnel familiar with the operation of similar facilities or the advice of outside advisors or  
209 consultants having relevant experience.

210 D. The responsible public entity may charge a reasonable fee to cover the costs of processing,  
211 reviewing, and evaluating the request submitted by a private entity pursuant to subsection A, including  
212 without limitation, reasonable attorney's fees and fees for financial and other necessary advisors or  
213 consultants. The responsible public entity shall also develop guidelines that establish the process for the  
214 acceptance and review of a proposal from a private entity pursuant to subsections A and B. Such  
215 guidelines shall establish a specific schedule for review of the proposal by the responsible public entity,  
216 a process for alteration of that schedule by the responsible public entity if it deems that changes are  
217 necessary because of the scope or complexity of proposals it receives, the process for receipt and review  
218 of competing proposals, and the type and amount of information that is necessary for adequate review of  
219 proposals in each stage of review. For qualifying transportation facilities that have approved or pending  
220 state and federal environmental clearances, secured significant right of way, have previously allocated  
221 significant state or federal funding, or exhibit other circumstances that could reasonably reduce the  
222 amount of time to develop and/or operate the qualifying transportation facility in accordance with the  
223 purpose of this chapter, the guidelines shall provide for a prioritized documentation, review, and  
224 selection process.

225 E. The approval of the responsible public entity shall be subject to the private entity's entering into  
226 an interim agreement or a comprehensive agreement with the responsible public entity.

227 F. In connection with its approval of the development and/or operation of the transportation facility  
228 or facilities as a qualifying transportation facility, the responsible public entity shall establish a date for  
229 the acquisition of or the beginning of construction of or improvements to the qualifying transportation  
230 facility. The responsible public entity may extend such date from time to time.

231 G. The responsible public entity shall take appropriate action, as more specifically set forth in its  
232 guidelines, to protect confidential and proprietary information provided by the private entity pursuant to  
233 an agreement under subdivision 11 of § 2.2-3705.6.

234 H. The responsible public entity may also apply for, execute, and/or endorse applications submitted  
235 by private entities to obtain federal credit assistance for qualifying projects developed and/or operated  
236 pursuant to this chapter.

237 § 56-564. Dedication of public property.

238 Any public entity may dedicate any property interest that it has for public use as a qualified  
239 transportation facility if it finds that so doing will serve the public purpose of this chapter. In connection  
240 with such dedication, a public entity may convey any property interest that it has, subject to the

conditions imposed by general law governing such conveyances, to the private entity, subject to the provisions of this chapter, for such consideration as such public entity may determine. The aforementioned consideration may include, without limitation, the agreement of the private entity to develop and/or operate the qualifying transportation facility. The property interests that the public entity may convey to the private entity in connection with a dedication under this section may include licenses, franchises, easements, *concessions*, or any other right or interest the public entity deems appropriate. *Such property interest including, but not limited to, a leasehold interest in and/or rights to use real and tangible personal property constituting a qualifying transportation facility shall be considered property indirectly owned by the Commonwealth or any political subdivision thereof or of the United States as described in § 58.1-3606.1.*

§ 56-566. Comprehensive agreement.

A. Prior to developing and/or operating the qualifying transportation facility, the private entity shall enter into a comprehensive agreement with the responsible public entity. The comprehensive agreement shall, as appropriate, provide for:

1. Delivery of performance and payment bonds in connection with the development and/or operation of the qualifying transportation facility, in the forms and amounts satisfactory to the responsible public entity;

2. Review of plans for the development and/or operation of the qualifying transportation facility by the responsible public entity and approval by the responsible public entity if the plans conform to standards acceptable to the responsible public entity;

3. Inspection of construction of or improvements to the qualifying transportation facility by the responsible public entity to ensure that they conform to the standards acceptable to the responsible public entity;

4. Maintenance of a policy or policies of public liability insurance (copies of which shall be filed with the responsible public entity accompanied by proofs of coverage) or self-insurance, each in form and amount satisfactory to the responsible public entity and reasonably sufficient to insure coverage of tort liability to the public and employees and to enable the continued operation of the qualifying transportation facility;

5. Monitoring of the maintenance practices of the private entity by the responsible public entity and the taking of such actions as the responsible public entity finds appropriate to ensure that the qualifying transportation facility is properly maintained;

6. Reimbursement to be paid to the responsible public entity for services provided by the responsible public entity;

7. Filing of appropriate financial statements in a form acceptable to the responsible public entity on a periodic basis;

8. Compensation to the private entity which may include a reasonable development fee, a reasonable maximum rate of return on investment, and/or reimbursement of development expenses in the event of termination for convenience by the responsible public entity as agreed upon between the responsible public entity and the private entity;

9. The date of termination of the private entity's authority and duties under this chapter and dedication to the appropriate public entity; and

10. Guaranteed cost and completion guarantees related to the development and/or operation of the qualified transportation facility and payment of damages for failure to meet the completion guarantee.

B. The comprehensive agreement shall provide for such user fees as may be established from time to time by agreement of the parties. Any user fees shall be set at a level that takes into account any lease payments, service payments, and compensation to the private entity or as specified in the comprehensive agreement. A copy of any service contract shall be filed with the responsible public entity. A schedule of the current user fees shall be made available by the private entity to any member of the public on request. In negotiating user fees under this section, the parties shall establish fees that are the same for persons using the facility under like conditions except as required by agreement between the parties to preserve capacity and prevent congestion on the qualifying transportation facility. The execution of the comprehensive agreement or any amendment thereto shall constitute conclusive evidence that the user fees provided for therein comply with this chapter. User fees established in the comprehensive agreement as a source of revenues may be in addition to, or in lieu of, service payments.

C. In the comprehensive agreement, the responsible public entity may agree to make grants or loans for the development and/or operation of the qualifying transportation facility from time to time from amounts received from the federal government or any agency or instrumentality thereof.

D. The comprehensive agreement shall incorporate the duties of the private entity under this chapter and may contain such other terms and conditions that the responsible public entity determines serve the public purpose of this chapter. Without limitation, the comprehensive agreement may contain provisions under which the responsible public entity agrees to provide notice of default and cure rights for the

benefit of the private entity and the persons specified therein as providing financing for the qualifying transportation facility. The comprehensive agreement may contain such other lawful terms and conditions to which the private entity and the responsible public entity mutually agree, including, without limitation, provisions regarding unavoidable delays or provisions providing for a loan of public funds for the development and/or operation of one or more qualifying transportation facilities.

E. The comprehensive agreement shall provide for the distribution of any earnings in excess of the maximum rate of return as negotiated in the comprehensive agreement. Without limitation, excess earnings may be distributed to the Commonwealth's Transportation Trust Fund, to the responsible public entity, or to the private entity for debt reduction or they may be shared with appropriate public entities. *Any payments under a concession arrangement for which the Commonwealth is the responsible public entity shall be paid into the Transportation Trust Fund*

F. Any changes in the terms of the comprehensive agreement, as may be agreed upon by the parties from time to time, shall be added to the comprehensive agreement by written amendment.

G. Notwithstanding any contrary provision of this chapter, a responsible public entity may enter into a comprehensive agreement with multiple private entities if the responsible public entity determines in writing that it is in the public interest to do so.

H. The comprehensive agreement may provide for the development and/or operation of phases or segments of the qualifying transportation facility.

#### § 56-567.1. Financing.

Any financing of a qualifying transportation facility may be in such amounts and upon such terms and conditions as may be determined by the parties to the interim or comprehensive agreement. Without limiting the generality of the foregoing, the private entity and the responsible public entity may propose to utilize any and all revenues that may be available to them and may, to the fullest extent permitted by applicable law, issue debt, equity, or other securities or obligations, enter into leases, *concessions*, and grant and loan agreements, access any designated transportation trust funds, borrow or accept grants from any state infrastructure bank and secure any financing with a pledge of, security interest in, or lien on, any or all of its property, including all of its property interests in the qualifying transportation facility.

#### § 56-573.1. Procurement.

The Virginia Public Procurement Act (§ 2.2-4300 et seq.) shall not apply to this chapter; however, a responsible public entity may enter into an interim or a comprehensive agreement only in accordance with guidelines adopted by it as follows:

1. A responsible public entity may enter into an interim or a comprehensive agreement in accordance with guidelines adopted by it that are consistent with procurement through "competitive sealed bidding" as defined in § 2.2-4301 and subsection B of § 2.2-4310.

2. A responsible public entity may enter into an interim or a comprehensive agreement in accordance with guidelines adopted by it that are consistent with the procurement of "other than professional services" through competitive negotiation as defined in § 2.2-4301 and subsection B of § 2.2-4310. Such responsible public entity shall not be required to select the proposal with the lowest price offer, but may consider price as one factor in evaluating the proposals received. Other factors that may be considered include (i) the proposed cost of the qualifying transportation facility; (ii) the general reputation, qualifications, industry experience, and financial capacity of the private entity; (iii) the proposed design, operation, and feasibility of the qualifying transportation facility; (iv) the eligibility of the facility for priority selection, review, and documentation timelines under the responsible public entity's guidelines; (v) local citizen and public entity comments; (vi) benefits to the public; (vii) the private entity's compliance with a minority business enterprise participation plan or good faith effort to comply with the goals of such plan; (viii) the private entity's plans to employ local contractors and residents; (ix) the safety record of the private entity; (x) the ability of the facility to address the needs identified in the appropriate state, regional or local transportation plan by improving safety, reducing congestion, increasing capacity, and/or enhancing economic efficiency; and (xi) other criteria that the responsible public entity deems appropriate.

A responsible public entity shall proceed in accordance with the guidelines adopted by it pursuant to subdivision 1 unless it determines that proceeding in accordance with the guidelines adopted by it pursuant to this subdivision is likely to be advantageous to the responsible public entity and the public, based on (i) the probable scope, complexity, or urgency of a project; (ii) risk sharing including guaranteed cost or completion guarantees, added value, or debt or equity investments proposed by the private entity; or (iii) an increase in funding, dedicated revenue source or other economic benefit that would not otherwise be available. When the responsible public entity determines to proceed according to the guidelines adopted by it pursuant to this subdivision, it shall state the reasons for its determination in writing. If a state agency is the responsible public entity, the approval of the Secretary of Transportation shall be required as more specifically set forth in the guidelines before the comprehensive agreement is signed.

3. Interim or comprehensive agreements for maintenance or asset management services for a transportation facility that is a highway, bridge, tunnel or overpass, and any amendment or change order thereto that increases the highway lane-miles receiving services under such an agreement shall be procured in accordance with guidelines that are consistent with procurement through "competitive sealed bidding" as defined in § 2.2-4301 and subsection B of § 2.2-4310. Furthermore, such contracts shall be of a size and scope to encourage maximum competition and participation by agency prequalified contractors and otherwise qualified contractors.

4. The provisions of subdivision 3 shall not apply to *concessions or to* maintenance or asset management services agreed to as part of the initial provisions of any interim or comprehensive agreement entered into for the original construction, reconstruction, or improvement of any highway pursuant to Chapter 22 (§ 56-556 et seq.) of Title 56.

5. Once a comprehensive agreement has been entered into, and the process of bargaining of all phases or aspects of the comprehensive agreement is complete, a responsible public entity shall make available, upon request, procurement records in accordance with § 2.2-4342.

6. Nothing in this section shall require that professional services be procured by any method other than competitive negotiation in accordance with the Virginia Public Procurement Act (§ 2.2-4300 et seq.).

§ 58.1-811. Exemptions.

A. The taxes imposed by §§ 58.1-801 and 58.1-807 shall not apply to any deed conveying real estate or lease of real estate:

1. To an incorporated college or other incorporated institution of learning not conducted for profit, where such real estate is intended to be used for educational purposes and not as a source of revenue or profit;

2. To an incorporated church or religious body or to the trustee or trustees of any church or religious body, or a corporation mentioned in § 57-16.1, where such real estate is intended to be used exclusively for religious purposes, or for the residence of the minister of any such church or religious body;

3. To the United States, the Commonwealth, or to any county, city, town, district or other political subdivision of the Commonwealth;

4. To the Virginia Division of the United Daughters of the Confederacy;

5. To any nonstock corporation organized exclusively for the purpose of owning or operating a hospital or hospitals not for pecuniary profit;

6. To a corporation upon its organization by persons in control of the corporation in a transaction which qualifies for nonrecognition of gain or loss pursuant to § 351 of the Internal Revenue Code as it exists at the time of the conveyance;

7. From a corporation to its stockholders upon complete or partial liquidation of the corporation in a transaction which qualifies for income tax treatment pursuant to § 331, 332, 333 or 337 of the Internal Revenue Code as it exists at the time of liquidation;

8. To the surviving or new corporation, partnership or limited liability company upon merger or consolidation of two or more corporations, partnerships or limited liability companies, or in a reorganization within the meaning of § 368 (a) (1) (C) and (F) of the Internal Revenue Code as amended;

9. To a subsidiary corporation from its parent corporation, or from a subsidiary corporation to a parent corporation, if the transaction qualifies for nonrecognition of gain or loss under the Internal Revenue Code as amended;

10. To a partnership or limited liability company, when the grantors are entitled to receive not less than 50 percent of the profits and surplus of such partnership or limited liability company; provided that the transfer to a limited liability company is not a precursor to a transfer of control of the assets of the company to avoid recordation taxes;

11. From a partnership or limited liability company, when the grantees are entitled to receive not less than 50 percent of the profits and surplus of such partnership or limited liability company; provided that the transfer from a limited liability company is not subsequent to a transfer of control of the assets of the company to avoid recordation taxes;

12. To trustees of a revocable inter vivos trust, when the grantors in the deed and the beneficiaries of the trust are the same persons, regardless of whether other beneficiaries may also be named in the trust instrument, when no consideration has passed between the grantor and the beneficiaries; and to the original beneficiaries of a trust from the trustees holding title under a deed in trust;

13. When the grantor is the personal representative of a decedent's estate or trustee under a will or inter vivos trust of which the decedent was the settlor, other than a security trust defined in § 55-58.1, and the sole purpose of such transfer is to comply with a devise or bequest in the decedent's will or to transfer title to one or more beneficiaries after the death of the settlor in accordance with a dispositive provision in the trust instrument; or

14. When the grantor is an organization exempt from taxation under § 501 (c) (3) of the Internal Revenue Code that is organized and operated primarily to acquire land and purchase materials to erect or rehabilitate low-cost homes on such land, which homes are sold at cost to persons who otherwise would be unable to afford to buy a home through conventional means, located in a county with a population of not less than 28,500 and not more than 28,650 or a city with a population of not less than 66,000 and not more than 70,000.

15. *To a private entity that is party to a concession pursuant to the Public-Private Transportation Act of 1995 (§ 56-556 et seq.).*

B. The taxes imposed by §§ 58.1-803 and 58.1-804 shall not apply to any deed of trust or mortgage:

1. Given by an incorporated college or other incorporated institution of learning not conducted for profit;

2. Given by the trustee or trustees of a church or religious body or given by an incorporated church or religious body, or given by a corporation mentioned in § 57-16.1;

3. Given by any nonstock corporation organized exclusively for the purpose of owning and/or operating a hospital or hospitals not for pecuniary profit;

4. Given by any local governmental entity or political subdivision of the Commonwealth to secure a debt payable to any other local governmental entity or political subdivision; or

5. Securing a loan made by an organization described in subdivision 14 of subsection A of this section.

C. The tax imposed by § 58.1-802 shall not apply to any:

1. Transaction described in subdivisions 6 through 13 of subsection A of this section;

2. Instrument or writing given to secure a debt;

3. Deed conveying real estate from an incorporated college or other incorporated institution of learning not conducted for profit;

4. Deed conveying real estate from the United States, the Commonwealth or any county, city, town, district or other political subdivision thereof;

5. Conveyance of real estate to the Commonwealth or any county, city, town, district or other political subdivision thereof, if such political unit is required by law to reimburse the parties taxable pursuant to § 58.1-802; or

6. Deed conveying real estate from the trustee or trustees of a church or religious body or from an incorporated church or religious body, or from a corporation mentioned in § 57-16.1; or

7. *Documentation in connection with a transfer by a party to a concession pursuant to the Public-Private Transportation Act of 1995 (§ 56-556 et seq.) or similar federal law.*

D. No recordation tax shall be required for the recordation of any deed of gift between a grantor or grantors and a grantee or grantees when no consideration has passed between the parties. Such deed shall state therein that it is a deed of gift.

E. The tax imposed by § 58.1-807 shall not apply to any lease to the United States, the Commonwealth, or any county, city, town, district or other political subdivision of the Commonwealth or to any concession agreement pursuant to the Public-Private Transportation Act of 1995 (§ 56-556 et seq.) or similar federal law.

F. The taxes imposed by §§ 58.1-801, 58.1-802, 58.1-807, 58.1-808 and 58.1-814 shall not apply to (i) any deed of gift conveying real estate or any interest therein to The Nature Conservancy or (ii) any lease of real property or any interest therein to The Nature Conservancy, where such deed of gift or lease of real estate is intended to be used exclusively for the purpose of preserving wilderness, natural or open space areas.

G. The words "trustee" or "trustees," as used in subdivision 2 of subsection A, subdivision 2 of subsection B, and subdivision 6 of subsection C, include the trustees mentioned in § 57-8 and the ecclesiastical officers mentioned in § 57-16.

H. No recordation tax levied pursuant to this chapter shall be levied on the release of a contractual right, if the release is contained within a single deed that performs more than one function, and at least one of the other functions performed by the deed is subject to the recordation tax.

§ 58.1-3203. Taxation of certain leasehold interests; concessions.

All leasehold interests in real property which is exempt from assessment for taxation from the owner shall be assessed for local taxation to the lessee. If the remaining term of the lease is fifty years or more, or the lease permits the lessee to acquire the real property for a nominal sum at the completion of the term, such leasehold interest shall be assessed as if the lessee were the owner. Otherwise, such assessment shall be reduced two percent for each year that the remainder of such term is less than fifty years; however, no such assessment shall be reduced more than eighty-five percent. If the lessee has a right to renew without the consent of the lessor, the term of such lease shall be the sum of the original lease term plus all such renewal terms.

When any real property is exempt from taxation under Section 6 (a) (1) or (2) or by designation under Section 6 (a) (6) of Article X of the Constitution of Virginia, the leasehold interest in such



property may also be exempt from taxation, provided that the property is leased to a lessee who is exempt from taxation pursuant to § 501 (c) of the Internal Revenue Code and is used exclusively by such lessee primarily for charitable, literary, scientific, or educational purposes. No leasehold interest or concession, as defined in § 56-557, of tax exempt property of a governmental agency shall be subject to assessment for local property tax purposes where the property is leased to a public service corporation or subsidiary thereof or a nonstock, nonprofit corporation whose occupation, use or operation of the tax exempt property is in aid of or promotes the governmental purposes set out in Chapter 10 (§ 62.1-128 et seq.) of Title 62.1 or to a private entity that is party to a concession agreement with a responsible public entity pursuant to the Public-Private Transportation Act of 1995 (§ 56-556 et seq.) or to similar federal law. The provisions of this section shall not apply to any leasehold interests exempted or partially exempted by other provisions of law.

§ 58.1-3606.1. *Property indirectly owned by government.*

A. *Property indirectly owned by the Commonwealth or any political subdivision thereof or by the United States shall include, but not be limited to, a leasehold interest in a transportation facility and real property acquired or constructed for the development and/or operation of the qualifying transportation facility when (i) the qualifying transportation facility is owned, or title to it is held, by the Commonwealth or any political subdivision thereof or the United States and is being developed and/or operated pursuant to a concession under the Public-Private Transportation Act of 1995 (§ 56-556 et seq.) or similar federal law and (ii) the property or leasehold interest is required to be dedicated to the Commonwealth, its political subdivision, or the United States upon the termination of the concession agreement.*

B. *The provisions of this section shall not apply to motor vehicles.*

§ 58.1-3703. Counties, cities and towns may impose local license taxes and fees; limitation of authority.

A. The governing body of any county, city or town may charge a fee for issuing a license in an amount not to exceed \$100 for any locality with a population greater than 50,000, \$50 for any locality with a population of 25,000 but no more than 50,000 and \$30 for any locality with a population smaller than 25,000. For purposes of this section, population may be based on the most current final population estimates of the Weldon Cooper Center for Public Service of the University of Virginia. Such governing body may levy and provide for the assessment and collection of county, city or town license taxes on businesses, trades, professions, occupations and callings and upon the persons, firms and corporations engaged therein within the county, city or town subject to the limitations in (i) subsection C and (ii) subsection A of § 58.1-3706, provided such tax shall not be assessed and collected on any amount of gross receipts of each business upon which a license fee is charged. Any county, city or town with a population greater than 50,000 shall reduce the fee to an amount not to exceed \$50 by January 1, 2000. The ordinance imposing such license fees and levying such license taxes shall include the provisions of § 58.1-3703.1.

B. Any county, city or town by ordinance may exempt in whole or in part from the license tax (i) the design, development or other creation of computer software for lease, sale or license and (ii) private businesses and industries entering into agreements for the establishment, installation, renovation, remodeling, or construction of satellite classrooms for grades kindergarten through three on a site owned by the business or industry and leased to the school board at no costs pursuant to § 22.1-26.1.

C. No county, city, or town shall impose a license fee or levy any license tax:

1. On any public service corporation or any motor carrier, common carrier, or other carrier of passengers or property formerly certified by the Interstate Commerce Commission or presently registered for insurance purposes with the Surface Transportation Board of the United States Department of Transportation, Federal Highway Administration, except as provided in § 58.1-3731 or as permitted by other provisions of law;

2. For selling farm or domestic products or nursery products, ornamental or otherwise, or for the planting of nursery products, as an incident to the sale thereof, outside of the regular market houses and sheds of such county, city or town, provided such products are grown or produced by the person offering them for sale;

3. Upon the privilege or right of printing or publishing any newspaper, magazine, newsletter or other publication issued daily or regularly at average intervals not exceeding three months, provided the publication's subscription sales are exempt from state sales tax, or for the privilege or right of operating or conducting any radio or television broadcasting station or service;

4. On a manufacturer for the privilege of manufacturing and selling goods, wares and merchandise at wholesale at the place of manufacture;

5. On a person engaged in the business of severing minerals from the earth for the privilege of selling the severed mineral at wholesale at the place of severance, except as provided in §§ 58.1-3712 and 58.1-3713;

548 6. Upon a wholesaler for the privilege of selling goods, wares and merchandise to other persons for  
549 resale unless such wholesaler has a definite place of business or store in such county, city or town. This  
550 subdivision shall not be construed as prohibiting any county, city or town from imposing a local license  
551 tax on a peddler at wholesale pursuant to § 58.1-3718;

552 7. Upon any person, firm or corporation for engaging in the business of renting, as the owner of  
553 such property, real property other than hotels, motels, motor lodges, auto courts, tourist courts, travel  
554 trailer parks, lodging houses, rooming houses and boardinghouses; however, any county, city or town  
555 imposing such a license tax on January 1, 1974, shall not be precluded from the levy of such tax by the  
556 provisions of this subdivision;

557 8. [Repealed.]

558 9. On or measured by receipts for management, accounting, or administrative services provided on a  
559 group basis under a nonprofit cost-sharing agreement by a corporation which is an agricultural  
560 cooperative association under the provisions of Article 2 (§ 13.1-312 et seq.) of Chapter 3 of Title 13.1,  
561 or a member or subsidiary or affiliated association thereof, to other members of the same group. This  
562 exemption shall not exempt any such corporation from such license or other tax measured by receipts  
563 from outside the group;

564 10. On or measured by receipts or purchases by an entity which is a member of an affiliated group  
565 of entities from other members of the same affiliated group. This exclusion shall not exempt affiliated  
566 entities from such license or other tax measured by receipts or purchases from outside the affiliated  
567 group. This exclusion also shall not preclude a locality from levying a wholesale merchant's license tax  
568 on an affiliated entity on those sales by the affiliated entity to a nonaffiliated entity, notwithstanding the  
569 fact that the wholesale merchant's license tax would be based upon purchases from an affiliated entity.  
570 Such tax shall be based on the purchase price of the goods sold to the nonaffiliated entity. As used in  
571 this subdivision, the term "sales by the affiliated entity to a nonaffiliated entity" means sales by the  
572 affiliated entity to a nonaffiliated entity where goods sold by the affiliated entity or its agent are  
573 manufactured or stored in the Commonwealth prior to their delivery to the nonaffiliated entity;

574 11. On any insurance company subject to taxation under Chapter 25 (§ 58.1-2500 et seq.) of this title  
575 or on any agent of such company;

576 12. On any bank or trust company subject to taxation in Chapter 12 (§ 58.1-1200 et seq.) of this  
577 title;

578 13. Upon a taxicab driver, if the locality has imposed a license tax upon the taxicab company for  
579 which the taxicab driver operates;

580 14. On any blind person operating a vending stand or other business enterprise under the jurisdiction  
581 of the Department for the Blind and Vision Impaired, or a nominee of the Department, as set forth in  
582 § 51.5-98;

583 15. [Expired.]

584 16. [Repealed.]

585 17. On an accredited religious practitioner in the practice of the religious tenets of any church or  
586 religious denomination. "Accredited religious practitioner" shall be defined as one who is engaged solely  
587 in praying for others upon accreditation by such church or religious denomination;

588 18. (a) On or measured by receipts of a charitable nonprofit organization except to the extent the  
589 organization has receipts from an unrelated trade or business the income of which is taxable under  
590 Internal Revenue Code § 511 et seq. For the purpose of this subdivision, "charitable nonprofit  
591 organization" means an organization which is described in Internal Revenue Code § 501 (c) (3) and to  
592 which contributions are deductible by the contributor under Internal Revenue Code § 170, except that  
593 educational institutions shall be limited to schools, colleges and other similar institutions of learning.

594 (b) On or measured by gifts, contributions, and membership dues of a nonprofit organization.  
595 Activities conducted for consideration which are similar to activities conducted for consideration by  
596 for-profit businesses shall be presumed to be activities that are part of a business subject to licensure.  
597 For the purpose of this subdivision, "nonprofit organization" means an organization exempt from federal  
598 income tax under Internal Revenue Code § 501 other than charitable nonprofit organizations;

599 19. On any venture capital fund or other investment fund, except commissions and fees of such  
600 funds. Gross receipts from the sale and rental of real estate and buildings remain taxable by the locality  
601 in which the real estate is located provided the locality is otherwise authorized to tax such businesses  
602 and rental of real estate; or

603 20. On total assessments paid by condominium unit owners for common expenses. "Common  
604 expenses" and "unit owner" have the same meanings as in § 55-79.41; or

605 21. *On or measured by receipts of a qualifying transportation facility directly or indirectly owned or*  
606 *title to which is held by the Commonwealth or any political subdivision thereof or the United States as*  
607 *described in § 58.1-3606.1 and developed and/or operated pursuant to a concession under the*  
608 *Public-Private Transportation Act of 1995 (§ 56-556 et seq.) or similar federal law.*