

11100832D

HOUSE BILL NO. 2390

Offered January 14, 2011

A BILL to amend and reenact §§ 58.1-321 and 58.1-401 of the Code of Virginia, relating to income exempt from taxation.

 Patron—Pollard

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:**1. That §§ 58.1-321 and 58.1-401 of the Code of Virginia are amended and reenacted as follows:**

§ 58.1-321. Exemptions and exclusions.

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

1. A single individual where the Virginia adjusted gross income for such taxable year is less than \$5,000 for taxable years beginning on and after January 1, 1987, but before January 1, 2004.

A single individual where the Virginia adjusted gross income plus the modification specified in subdivision D 5 of § 58.1-322 for such taxable year is less than \$5,000 for taxable years beginning on and after January 1, 2004, but before January 1, 2005.

A single individual where the Virginia adjusted gross income plus the modification specified in subdivision D 5 of § 58.1-322 for such taxable year is less than \$7,000 for taxable years beginning on and after January 1, 2005, but before January 1, 2008.

A single individual where the Virginia adjusted gross income plus the modification specified in subdivision D 5 of § 58.1-322 for such taxable year is less than \$11,250 for taxable years beginning on and after January 1, 2008, but before January 1, 2010.

A single individual where the Virginia adjusted gross income plus the modification specified in subdivision D 5 of § 58.1-322 for such taxable year is less than \$11,650 for taxable years beginning on and after January 1, 2010, but before January 1, 2012.

A single individual where the Virginia adjusted gross income plus the modification specified in subdivision D 5 of § 58.1-322 for such taxable year is less than \$11,950 for taxable years beginning on and after January 1, 2012.

2. An individual and spouse if their combined Virginia adjusted gross income for such taxable year is less than \$8,000 for taxable years beginning on and after January 1, 1987, (or one-half of such amount in the case of a married individual filing a separate return) but before January 1, 2004.

An individual and spouse if their combined Virginia adjusted gross income plus the modification specified in subdivision D 5 of § 58.1-322 is less than \$8,000 for taxable years beginning on and after January 1, 2004, (or one-half of such amount in the case of a married individual filing a separate return) but before January 1, 2005; less than \$14,000 for taxable years beginning on and after January 1, 2005, (or one-half of such amount in the case of a married individual filing a separate return) but before January 1, 2008; less than \$22,500 for taxable years beginning on and after January 1, 2008, (or one-half of such amount in the case of a married individual filing a separate return) but before January 1, 2010; less than \$23,300 for taxable years beginning on and after January 1, 2010, (or one-half of such amount in the case of a married individual filing a separate return) but before January 1, 2012; and less than \$23,900 for taxable years beginning on and after January 1, 2012, (or one-half of such amount in the case of a married individual filing a separate return).

For the purposes of this section "Virginia adjusted gross income" means federal adjusted gross income for the taxable years with the modifications specified in § 58.1-322 B, § 58.1-322 C and the additional deductions allowed under § 58.1-322 D 2 b and D 5 for taxable years beginning before January 1, 2004. For taxable years beginning on and after January 1, 2004, Virginia adjusted gross income means federal adjusted gross income with the modifications specified in subsections B and C of § 58.1-322.

B. For taxable years beginning on or after January 1, 2012, no tax levied pursuant to § 58.1-320 shall be imposed on a small business for the first two years it operates or until it produces \$300,000 in gross income, whichever occurs first. For purposes of this subsection, "small business" means a business located in Virginia that is independently owned or operated by one or more persons who are citizens of the United States or noncitizens who are in full compliance with United States immigration law and that, together with affiliates, has 250 or fewer employees.

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

INTRODUCED

HB2390

59 § 58.1-401. Exemptions and exclusions.

60 A. No tax levied pursuant to §§ 58.1-400, 58.1-400.1 or § 58.1-400.2 is imposed on:

61 1. A public service corporation to the extent such corporation is subject to the license tax on gross
62 receipts contained in Chapter 26 (§ 58.1-2600 et seq.) of this title;

63 2. Insurance companies to the extent such company is subject to the license tax on gross premiums
64 under Chapter 25 (§ 58.1-2500 et seq.) of this title and reciprocal or interinsurance exchanges which pay
65 a premium tax to the Commonwealth as provided by law;

66 3. State and national banks, banking associations and trust companies to the extent such companies
67 are subject to the bank franchise tax on net capital;

68 3a. Credit unions organized and conducted as such under the laws of the Commonwealth or under
69 the laws of the United States;

70 4. Electing small business corporations (S corporations);

71 5. Religious, educational, benevolent and other corporations not organized or conducted for pecuniary
72 profit which by reason of their purposes or activities are exempt from income tax under the laws of the
73 United States, except those organizations which have unrelated business income or other taxable income
74 under such laws, except as provided in § 58.1-400.2;

75 6. Telephone companies chartered in the Commonwealth which are exclusively a local mutual
76 association and are not designated to accumulate profits for the benefit of, or to pay dividends to, the
77 stockholders or members thereof;

78 7. A corporation that has contracted with a commercial printer for printing and that is not otherwise
79 taxable shall not become taxable by reason of: (i) the ownership or leasing by that corporation of
80 tangible personal property located at the Virginia premises of the commercial printer and used solely in
81 connection with the printing contract with such person; (ii) the sale by that corporation at another
82 location of property of any kind printed at and shipped or distributed from the Virginia premises of the
83 commercial printer; (iii) the activities in connection with the printing contract with such person of any
84 kind performed by or on behalf of that corporation at the Virginia premises of the commercial printer;
85 and (iv) the activities in connection with the printing contract with such person performed by the
86 commercial printer for or on behalf of that corporation; and

87 8. Foreign sales corporations (FSC) and any income attributable to an FSC under the rules relating to
88 the taxation of an FSC in Part III, Subpart C of the Internal Revenue Code (§ 921 et seq.) and the
89 regulations thereunder.

90 *B. For taxable years beginning on or after January 1, 2012, no tax levied pursuant to § 58.1-400*
91 *shall be imposed on a small business for the first two years it operates or until it produces \$300,000 in*
92 *gross income, whichever occurs first. For purposes of this subsection, "small business" means a business*
93 *located in Virginia that is independently owned or operated by one or more persons who are citizens of*
94 *the United States or noncitizens who are in full compliance with United States immigration law and*
95 *that, together with affiliates, has 250 or fewer employees.*