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**HOUSE BILL NO. 1648**

Offered January 14, 2015

Prefiled January 9, 2015

*A BILL to amend and reenact §§ 58.1-602, as it is currently effective and as it may become effective, and 58.1-609.1 of the Code of Virginia, relating to sales and use tax; exemptions.*

Patrons—Miller, Keam, Anderson, Bell, Robert B., Bloxom, Davis, DeSteph, Edmunds, Fariss, Fowler, Gilbert, Kilgore, LaRock, Lingamfelter, Loupassi, Morefield, O'Quinn, Pogge, Ramadan, Ransone, Stolle, Villanueva, Webert, Wilt, Yancey and Yost; Senators: Obenshain, Stuart, Vogel and Wagner

Referred to Committee on Finance

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

**1. That §§ 58.1-602, as it is currently effective and as it may become effective, and 58.1-609.1 of the Code of Virginia are amended and reenacted as follows:**

**§ 58.1-602. (Contingent expiration date) 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.

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

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

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

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

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

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

"Integrated process," when used in relation to semiconductor manufacturing, means a process that begins with the research or development of semiconductor products, equipment, or processes, includes

57 the handling and storage of raw materials at a plant site, and continues to the point that the product is  
58 packaged for final sale and either shipped or conveyed to a warehouse. Without limiting the foregoing,  
59 any semiconductor equipment, fuel, power, energy, supplies, or other tangible personal property shall be  
60 deemed used as part of the integrated process if its use contributes, before, during, or after production,  
61 to higher product quality, production yields, or process efficiencies. Except as otherwise provided by  
62 law, such term shall not mean general maintenance or administration.

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

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

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

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

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

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

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

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

101 "Motor vehicle" means a "motor vehicle" as defined in § 58.1-2401, taxable under the provisions of  
102 the Virginia Motor Vehicles Sales and Use Tax Act (§ 58.1-2400 et seq.) and upon the sale of which all  
103 applicable motor vehicle sales and use taxes have been paid. "Motor vehicle" does not include any  
104 all-terrain vehicle, moped, or off-road motorcycle all as defined in § 46.2-100. The taxes under this  
105 chapter or pursuant to the authority granted under this chapter shall apply to such all-terrain vehicles,  
106 mopeds, and off-road motorcycles.

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

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

115 "Person" includes any individual, firm, copartnership, cooperative, nonprofit membership corporation,  
116 joint venture, association, corporation, estate, trust, business trust, trustee in bankruptcy, receiver,  
117 auctioneer, syndicate, assignee, club, society, or other group or combination acting as a unit, body  
118 politic or political subdivision, whether public or private, or quasi-public, and the plural of such term

shall mean the same as the singular.

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

"Railroad rolling stock" means locomotives, of whatever motive power, autocars, railroad cars of every kind and description, and all other equipment determined by the Tax Commissioner to constitute railroad rolling stock.

"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 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 to transients for a consideration; (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; (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; and (iv) the separately stated charge for equipment available for lease or purchase by a provider of satellite television programming to the customer of such programming. Equipment sold to a provider of satellite television programming for subsequent lease or purchase by the customer of such programming shall be deemed a sale for resale. 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 the 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 the 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; (iii) separately stated local property taxes collected; (iv) that portion of the amount paid by the purchaser as a discretionary gratuity

180 added to the price of a meal; or (v) that portion of the amount paid by the purchaser as a mandatory  
181 gratuity or service charge added by a restaurant to the price of a meal, but only to the extent that such  
182 mandatory gratuity or service charge does not exceed 20% of the price of the meal. Where used articles  
183 are taken in trade, or in a series of trades as a credit or part payment on the sale of new or used  
184 articles, the tax levied by this chapter shall be paid on the net difference between the sales price of the  
185 new or used articles and the credit for the used articles.

186 "Semiconductor cleanrooms" means the integrated systems, fixtures, piping, partitions, flooring,  
187 lighting, equipment, and all other property used to reduce contamination or to control airflow,  
188 temperature, humidity, vibration, or other environmental conditions required for the integrated process of  
189 semiconductor manufacturing.

190 "Semiconductor equipment" means (i) machinery or tools or repair parts or replacements thereof; (ii)  
191 the related accessories, components, pedestals, bases, or foundations used in connection with the  
192 operation of the equipment, without regard to the proximity to the equipment, the method of attachment,  
193 or whether the equipment or accessories are affixed to the realty; (iii) semiconductor wafers and other  
194 property or supplies used to install, test, calibrate or recalibrate, characterize, condition, measure, or  
195 maintain the equipment and settings thereof; and (iv) equipment and supplies used for quality control  
196 testing of product, materials, equipment, or processes; or the measurement of equipment performance or  
197 production parameters regardless of where or when the quality control, testing, or measuring activity  
198 takes place, how the activity affects the operation of equipment, or whether the equipment and supplies  
199 come into contact with the product.

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

203 "Tangible personal property" means personal property which may be seen, weighed, measured, felt,  
204 or touched, or is in any other manner perceptible to the senses. The term "tangible personal property"  
205 shall not include stocks, bonds, notes, insurance or other obligations ~~or~~, securities, *or paper money or*  
206 *coins that are or have been legal tender*. The term "tangible personal property" shall include (i)  
207 telephone calling cards upon their initial sale, which shall be exempt from all other state and local utility  
208 taxes, and (ii) manufactured signs.

209 "Use" means the exercise of any right or power over tangible personal property incident to the  
210 ownership thereof, except that it does not include the sale at retail of that property in the regular course  
211 of business. The term does not include the exercise of any right or power, including use, distribution, or  
212 storage, over any tangible personal property sold to a nonresident donor for delivery outside of the  
213 Commonwealth to a nonresident recipient pursuant to an order placed by the donor from outside the  
214 Commonwealth via mail or telephone. The term does not include any sale determined to be a gift  
215 transaction, subject to tax under § 58.1-604.6.

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

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

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

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

229 **§ 58.1-602. (Contingent effective date) Definitions.**

230 A. As used in this chapter, unless the context clearly shows otherwise:

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

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

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

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

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

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

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

"Integrated process," when used in relation to semiconductor manufacturing, means a process that begins with the research or development of semiconductor products, equipment, or processes, includes the handling and storage of raw materials at a plant site, and continues to the point that the product is packaged for final sale and either shipped or conveyed to a warehouse. Without limiting the foregoing, any semiconductor equipment, fuel, power, energy, supplies, or other tangible personal property shall be deemed used as part of the integrated process if its use contributes, before, during, or after production, to higher product quality, production yields, or process efficiencies. Except as otherwise provided by law, such term shall not mean general maintenance or administration.

"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.

"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.

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

"Modular building" means, but shall not be limited to, single and multifamily houses, apartment units, commercial buildings, and permanent additions thereof, comprised of one or more sections that are intended to become real property, primarily constructed at a location other than the permanent site, built to comply with the Virginia Industrialized Building Safety Law (§ 36-70 et seq.) as regulated by the

303 Virginia Department of Housing and Community Development, and shipped with most permanent  
304 components in place to the site of final assembly. For purposes of this chapter, a modular building shall  
305 not include a mobile office as defined in § 58.1-2401 or any manufactured building subject to and  
306 certified under the provisions of the National Manufactured Housing Construction and Safety Standards  
307 Act of 1974 (42 U.S.C. § 5401 et seq.).

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

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

317 "Motor vehicle" means a "motor vehicle" as defined in § 58.1-2401, taxable under the provisions of  
318 the Virginia Motor Vehicles Sales and Use Tax Act (§ 58.1-2400 et seq.) and upon the sale of which all  
319 applicable motor vehicle sales and use taxes have been paid. "Motor vehicle" does not include any  
320 all-terrain vehicle, moped, or off-road motorcycle all as defined in § 46.2-100. The taxes under this  
321 chapter or pursuant to the authority granted under this chapter shall apply to such all-terrain vehicles,  
322 mopeds, and off-road motorcycles.

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

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

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

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

339 "Railroad rolling stock" means locomotives, of whatever motive power, autocars, railroad cars of  
340 every kind and description, and all other equipment determined by the Tax Commissioner to constitute  
341 railroad rolling stock.

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

348 The terms "retail sale" and a "sale at retail" shall specifically include the following: (i) the sale or  
349 charges for any room or rooms, lodgings, or accommodations furnished to transients for less than 90  
350 continuous days by any hotel, motel, inn, tourist camp, tourist cabin, camping grounds, club, or any  
351 other place in which rooms, lodging, space, or accommodations are regularly furnished to transients for  
352 a consideration; (ii) sales of tangible personal property to persons for resale when because of the  
353 operation of the business, or its very nature, or the lack of a place of business in which to display a  
354 certificate of registration, or the lack of a place of business in which to keep records, or the lack of  
355 adequate records, or because such persons are minors or transients, or because such persons are engaged  
356 in essentially service businesses, or for any other reason there is likelihood that the Commonwealth will  
357 lose tax funds due to the difficulty of policing such business operations; (iii) the separately stated charge  
358 made for automotive refinish repair materials that are permanently applied to or affixed to a motor  
359 vehicle during its repair; and (iv) the separately stated charge for equipment available for lease or  
360 purchase by a provider of satellite television programming to the customer of such programming.  
361 Equipment sold to a provider of satellite television programming for subsequent lease or purchase by the  
362 customer of such programming shall be deemed a sale for resale. The Tax Commissioner is authorized  
363 to promulgate regulations requiring vendors of or sellers to such persons to collect the tax imposed by  
364 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 the 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 the 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; (iii) separately stated local property taxes collected; (iv) that portion of the amount paid by the purchaser as a discretionary gratuity added to the price of a meal; or (v) that portion of the amount paid by the purchaser as a mandatory gratuity or service charge added by a restaurant to the price of a meal, but only to the extent that such mandatory gratuity or service charge does not exceed 20 percent of the price of the meal. 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.

"Semiconductor cleanrooms" means the integrated systems, fixtures, piping, partitions, flooring, lighting, equipment, and all other property used to reduce contamination or to control airflow, temperature, humidity, vibration, or other environmental conditions required for the integrated process of semiconductor manufacturing.

"Semiconductor equipment" means (i) machinery or tools or repair parts or replacements thereof; (ii) the related accessories, components, pedestals, bases, or foundations used in connection with the operation of the equipment, without regard to the proximity to the equipment, the method of attachment, or whether the equipment or accessories are affixed to the realty; (iii) semiconductor wafers and other property or supplies used to install, test, calibrate or recalibrate, characterize, condition, measure, or maintain the equipment and settings thereof; and (iv) equipment and supplies used for quality control testing of product, materials, equipment, or processes; or the measurement of equipment performance or production parameters regardless of where or when the quality control, testing, or measuring activity takes place, how the activity affects the operation of equipment, or whether the equipment and supplies come into contact with the product.

"Storage" means any keeping or retention of tangible personal property for use, consumption or distribution in the 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, or *paper money or coins that are or were legal tender*. The term "tangible personal property" shall include (i) telephone calling cards upon their initial sale, which shall be exempt from all other state and local utility taxes, and (ii) manufactured signs.

"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. The term does not include any sale determined to be a gift transaction, subject to tax under § 58.1-604.6.

"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.

B. Notwithstanding the definitions in subsection A, to the extent that conformity to any remote collection authority legislation enacted by the Congress of the United States shall so require, the words and terms used in this chapter related to the minimum simplification requirements shall have the same meaning as provided in such federal legislation.

**§ 58.1-609.1. Governmental and commodities 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. Fuels which are subject to the tax imposed by Chapter 22 (§ 58.1-2200 et seq.). Persons who are refunded any such fuel tax shall, however, be subject to the tax imposed by this chapter, unless such taxes would be specifically exempted pursuant to any provision of this section.

2. Motor vehicles, trailers, semitrailers, mobile homes and travel trailers.

3. Gas, electricity, or water when delivered to consumers through mains, lines, or pipes.

4. Tangible personal property for use or consumption by the Commonwealth, any political subdivision of the Commonwealth, or the United States. This exclusion shall not apply to sales and leases to privately owned financial and other privately owned corporations chartered by the United States. Further, this exemption shall not apply to tangible personal property which is acquired by the Commonwealth or any of its political subdivisions and then transferred to private businesses for their use in a facility or real property improvement to be used by a private entity or for nongovernmental purposes other than tangible personal property acquired by the Herbert H. Bateman Advanced Shipbuilding and Carrier Integration Center and transferred to a Qualified Shipbuilder as defined in the third enactment of Chapter 790 of the 1998 Acts of the General Assembly.

5. Aircraft subject to tax under Chapter 15 (§ 58.1-1500 et seq.).

6. Motor fuels and alternative fuels for use in a commercial watercraft, as defined in § 58.1-2201, upon which a fuel tax is refunded pursuant to § 58.1-2259.

7. Sales by a government agency of the official flags of the United States, the Commonwealth of Virginia, or of any county, city or town.

8. Materials furnished by the State Board of Elections pursuant to §§ 24.2-404 through 24.2-407.

9. Watercraft as defined in § 58.1-1401.

10. Tangible personal property used in and about a marine terminal under the supervision of the Virginia Port Authority for handling cargo, merchandise, freight and equipment. This exemption shall apply to agents, lessees, sublessees or users of tangible personal property owned by or leased to the Virginia Port Authority and to property acquired or used by the Authority or by a nonstock, nonprofit corporation that operates a marine terminal or terminals on behalf of the Authority.

11. Sales by prisoners confined in state correctional facilities of artistic products personally made by the prisoners as authorized by § 53.1-46.

12. Tangible personal property for use or consumption by the Virginia Department for the Blind and Vision Impaired or any nominee, as defined in § 51.5-60, of such Department.

13. [Expired.]

14. Tangible personal property sold to residents and patients of the Virginia Veterans Care Center at a canteen operated by the Department of Veterans Services.

15. Tangible personal property for use or consumption by any nonprofit organization whose members include the Commonwealth and other states and which is organized for the purpose of fostering interstate cooperation and excellence in government.



488 16. Tangible personal property purchased for use or consumption by any soil and conservation  
489 district which is organized in accordance with the provisions of Article 3 (§ 10.1-506 et seq.) of Chapter  
490 5 of Title 10.1.

491 17. Tangible personal property sold or leased to Alexandria Transit Company, Greater Lynchburg  
492 Transit Company, GRTC Transit System, or Greater Roanoke Transit Company, or to any other transit  
493 company that is owned, operated, or controlled by any county, city, or town, or any combination  
494 thereof, that provides public transportation services, and/or tangible personal property sold or leased to  
495 any county, city, or town, or any combination thereof, that is transferred to any of the companies set  
496 forth in this subdivision owned, operated, or controlled by any county, city, or town, or any combination  
497 thereof, that provides public transportation services.

498 18. (Effective until July 1, 2017) Qualified products designated as Energy Star or WaterSense with a  
499 sales price of \$2,500 or less per product purchased for noncommercial home or personal use. The  
500 exemption provided by this subdivision shall apply only to sales occurring during the four-day period  
501 that begins each year on the Friday before the second Monday in October and ends at midnight on the  
502 second Monday in October.

503 For the purposes of this exemption, an Energy Star qualified product is any dishwasher, clothes  
504 washer, air conditioner, ceiling fan, compact fluorescent light bulb, dehumidifier, programmable  
505 thermostat, or refrigerator, the energy efficiency of which has been designated by the United States  
506 Environmental Protection Agency and the United States Department of Energy as meeting or exceeding  
507 each such agency's requirements under the Energy Star program. For the purposes of this exemption,  
508 WaterSense qualified products are those that have been recognized as being water efficient by the  
509 WaterSense program sponsored by the U.S. Environmental Protection Agency as indicated by a  
510 WaterSense label.

511 19. *Gold, silver, or platinum bullion whose sales price exceeds \$1,000. The sales price of each piece*  
512 *of gold, silver, or platinum need not exceed \$1,000, provided that the sales price of one entire*  
513 *transaction of such pieces exceeds \$1,000. Gold, silver, or platinum bullion means gold, silver, or*  
514 *platinum, or any combination thereof, that has gone through a refining process and is in a state or*  
515 *condition such that its value depends on its mass and purity and not on its form, numismatic value, or*  
516 *other value. Gold, silver, or platinum bullion may contain other metals or substances, provided that the*  
517 *other substances by themselves have minimal value compared with the value of the gold, silver, or*  
518 *platinum. Gold, silver, or platinum bullion does not include jewelry or works of art. The provisions of*  
519 *this subdivision shall expire July 1, 2020.*