

2022 SESSION

LEGISLATION NOT PREPARED BY DLS
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HOUSE BILL NO. 1239

Offered January 19, 2022

A *BILL to amend and reenact § 58.1-3506 of the Code of Virginia, relating to tangible personal property, machinery and tools and merchants' capital article 1, tangible personal property tax.*

Patron—Scott, P.A.

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That § 58.1-3506 of the Code of Virginia is amended and reenacted as follows:

§ 58.1-3506. Other classifications of tangible personal property for taxation.

A. The items of property set forth below are each declared to be a separate class of property and shall constitute a classification for local taxation separate from other classifications of tangible personal property provided in this chapter:

1. a. Boats or watercraft weighing five tons or more, not used solely for business purposes;

b. Boats or watercraft weighing less than five tons, not used solely for business purposes;

2. Aircraft having a maximum passenger seating capacity of no more than 50 that are owned and operated by scheduled air carriers operating under certificates of public convenience and necessity issued by the State Corporation Commission or the Civil Aeronautics Board;

3. Aircraft having a registered empty gross weight equal to or greater than 20,000 pounds that are not owned or operated by scheduled air carriers recognized under federal law, but not including any aircraft described in subdivision 4;

4. Aircraft that are (i) considered Warbirds, manufactured and intended for military use, excluding those manufactured after 1954, and (ii) used only for (a) exhibit or display to the general public and otherwise used for educational purposes (including such flights as are necessary for testing, maintaining, or preparing such aircraft for safe operation), or (b) airshow and flight demonstrations (including such flights necessary for testing, maintaining, or preparing such aircraft for safe operation), shall constitute a new class of property. Such class of property shall not include any aircraft used for commercial purposes, including transportation and other services for a fee;

5. All other aircraft not included in subdivision 2, 3, or 4 and flight simulators;

6. Antique motor vehicles as defined in § 46.2-100 which may be used for general transportation purposes as provided in subsection C of § 46.2-730;

7. Tangible personal property used in a research and development business;

8. Heavy construction machinery not used for business purposes, including land movers, bulldozers, front-end loaders, graders, packers, power shovels, cranes, pile drivers, forest harvesting and silvicultural activity equipment except as exempted under § 58.1-3505, and ditch and other types of diggers;

9. Generating equipment purchased after December 31, 1974, for the purpose of changing the energy source of a manufacturing plant from oil or natural gas to coal, wood, wood bark, wood residue, or any other alternative energy source for use in manufacturing and any cogeneration equipment purchased to achieve more efficient use of any energy source. Such generating equipment and cogeneration equipment shall include, without limitation, such equipment purchased by firms engaged in the business of generating electricity or steam, or both;

10. Vehicles without motive power, used or designed to be used as manufactured homes as defined in § 36-85.3;

11. Computer hardware used by businesses primarily engaged in providing data processing services to other nonrelated or nonaffiliated businesses;

12. Privately owned pleasure boats and watercraft, 18 feet and over, used for recreational purposes only;

13. Privately owned vans with a seating capacity of not less than seven nor more than 15 persons, including the driver, used exclusively pursuant to a ridesharing arrangement as defined in § 46.2-1400;

14. Motor vehicles specially equipped to provide transportation for physically handicapped individuals;

15. Motor vehicles (i) owned by members of a volunteer emergency medical services agency or a member of a volunteer fire department or (ii) leased by volunteer emergency medical services personnel or a member of a volunteer fire department if the volunteer is obligated by the terms of the lease to pay tangible personal property tax on the motor vehicle. One motor vehicle that is owned by each volunteer member who meets the definition of "emergency medical services personnel" in § 32.1-111.1 or volunteer fire department member, or leased by each volunteer member who meets the definition of

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59 "emergency medical services personnel" in § 32.1-111.1 or volunteer fire department member if the
60 volunteer is obligated by the terms of the lease to pay tangible personal property tax on the motor
61 vehicle, may be specially classified under this section, provided the volunteer regularly responds to
62 emergency calls. The volunteer shall furnish the commissioner of revenue, or other assessing officer,
63 with a certification by the chief of the volunteer emergency medical services agency or volunteer fire
64 department, that the volunteer is an individual who meets the definition of "emergency medical services
65 personnel" in § 32.1-111.1 or a member of the volunteer fire department who regularly responds to calls
66 or regularly performs other duties for the emergency medical services agency or fire department, and the
67 motor vehicle owned or leased by the volunteer is identified. The certification shall be submitted by
68 January 31 of each year to the commissioner of revenue or other assessing officer; however, the
69 commissioner of revenue or other assessing officer shall be authorized, in his discretion, and for good
70 cause shown and without fault on the part of the volunteer, to accept a certification after the January 31
71 deadline. In any county that prorates the assessment of tangible personal property pursuant to
72 § 58.1-3516, a replacement vehicle may be certified and classified pursuant to this subsection when the
73 vehicle certified as of the immediately prior January date is transferred during the tax year;

74 16. Motor vehicles (i) owned by auxiliary members of a volunteer emergency medical services
75 agency or volunteer fire department or (ii) leased by auxiliary members of a volunteer emergency
76 medical services agency or volunteer fire department if the auxiliary member is obligated by the terms
77 of the lease to pay tangible personal property tax on the motor vehicle. One motor vehicle that is
78 regularly used by each auxiliary volunteer fire department or emergency medical services agency
79 member may be specially classified under this section. The auxiliary member shall furnish the
80 commissioner of revenue, or other assessing officer, with a certification by the chief of the volunteer
81 emergency medical services agency or volunteer fire department, that the volunteer is an auxiliary
82 member of the volunteer emergency medical services agency or fire department who regularly performs
83 duties for the emergency medical services agency or fire department, and the motor vehicle is identified
84 as regularly used for such purpose; however, if a volunteer meets the definition of "emergency medical
85 services personnel" in § 32.1-111.1 or volunteer fire department member and an auxiliary member are
86 members of the same household, that household shall be allowed no more than two special
87 classifications under this subdivision or subdivision 15. The certification shall be submitted by January
88 31 of each year to the commissioner of revenue or other assessing officer; however, the commissioner of
89 revenue or other assessing officer shall be authorized, in his discretion, and for good cause shown and
90 without fault on the part of the auxiliary member, to accept a certification after the January 31 deadline;

91 17. Motor vehicles owned by a nonprofit organization and used to deliver meals to homebound
92 persons or provide transportation to senior or handicapped citizens in the community to carry out the
93 purposes of the nonprofit organization;

94 18. Privately owned camping trailers as defined in § 46.2-100, and privately owned travel trailers as
95 defined in § 46.2-1500, which are used for recreational purposes only, and privately owned trailers as
96 defined in § 46.2-100, which are designed and used for the transportation of horses except those trailers
97 described in subdivision A 11 of § 58.1-3505;

98 19. One motor vehicle owned and regularly used by a veteran who has either lost, or lost the use of,
99 one or both legs, or an arm or a hand, or who is blind or who is permanently and totally disabled as
100 certified by the Department of Veterans Services. In order to qualify, the veteran shall provide a written
101 statement to the commissioner of revenue or other assessing officer from the Department of Veterans
102 Services that the veteran has been so designated or classified by the Department of Veterans Services as
103 to meet the requirements of this section, and that his disability is service-connected. For purposes of this
104 section, a person is blind if he meets the provisions of § 46.2-100;

105 20. Motor vehicles (i) owned by persons who have been appointed to serve as auxiliary police
106 officers pursuant to Article 3 (§ 15.2-1731 et seq.) of Chapter 17 of Title 15.2 or (ii) leased by persons
107 who have been so appointed to serve as auxiliary police officers if the person is obligated by the terms
108 of the lease to pay tangible personal property tax on the motor vehicle. One motor vehicle that is
109 regularly used by each auxiliary police officer to respond to auxiliary police duties may be specially
110 classified under this section. In order to qualify for such classification, any auxiliary police officer who
111 applies for such classification shall identify the vehicle for which this classification is sought, and shall
112 furnish the commissioner of revenue or other assessing officer with a certification from the governing
113 body that has appointed such auxiliary police officer or from the official who has appointed such
114 auxiliary officers. That certification shall state that the applicant is an auxiliary police officer who
115 regularly uses a motor vehicle to respond to auxiliary police duties, and it shall state that the vehicle for
116 which the classification is sought is the vehicle that is regularly used for that purpose. The certification
117 shall be submitted by January 31 of each year to the commissioner of revenue or other assessing officer;
118 however, the commissioner of revenue or other assessing officer shall be authorized, in his discretion,
119 and for good cause shown and without fault on the part of the member, to accept a certification after the
120 January 31 deadline;

21. Until the first to occur of June 30, 2029, or the date that a special improvements tax is no longer levied under § 15.2-4607 on property within a Multicounty Transportation Improvement District created pursuant to Chapter 46 (§ 15.2-4600 et seq.) of Title 15.2, tangible personal property that is used in manufacturing, testing, or operating satellites within a Multicounty Transportation Improvement District, provided that such business personal property is put into service within the District on or after July 1, 1999;

22. Motor vehicles which use clean special fuels as defined in § 46.2-749.3, which shall not include any vehicle described in subdivision 38 or 40;

23. Wild or exotic animals kept for public exhibition in an indoor or outdoor facility that is properly licensed by the federal government, the Commonwealth, or both, and that is properly zoned for such use. "Wild animals" means any animals that are found in the wild, or in a wild state, within the boundaries of the United States, its territories or possessions. "Exotic animals" means any animals that are found in the wild, or in a wild state, and are native to a foreign country;

24. Furniture, office, and maintenance equipment, exclusive of motor vehicles, that are owned and used by an organization whose real property is assessed in accordance with § 58.1-3284.1 and that is used by that organization for the purpose of maintaining or using the open or common space within a residential development;

25. Motor vehicles, trailers, and semitrailers with a gross vehicle weight of 10,000 pounds or more used to transport property or passengers for hire by a motor carrier engaged in interstate commerce;

26. All tangible personal property employed in a trade or business other than that described in subdivisions A 1 through A 20, except for subdivision A 18, of § 58.1-3503;

27. Programmable computer equipment and peripherals employed in a trade or business;

28. Privately owned pleasure boats and watercraft, motorized and under 18 feet, used for recreational purposes only;

29. Privately owned pleasure boats and watercraft, nonmotorized and under 18 feet, used for recreational purposes only;

30. Privately owned motor homes as defined in § 46.2-100 that are used for recreational purposes only;

31. Tangible personal property used in the provision of Internet services. For purposes of this subdivision, "Internet service" means a service, including an Internet Web-hosting service, that enables users to access content, information, electronic mail, and the Internet as part of a package of services sold to customers;

32. Motor vehicles (i) owned by persons who serve as auxiliary, reserve, volunteer, or special deputy sheriffs or (ii) leased by persons who serve as auxiliary, reserve, volunteer, or special deputy sheriffs if the person is obligated by the terms of the lease to pay tangible personal property tax on the motor vehicle. For purposes of this subdivision, the term "auxiliary deputy sheriff" means auxiliary, reserve, volunteer, or special deputy sheriff. One motor vehicle that is regularly used by each auxiliary deputy sheriff to respond to auxiliary deputy sheriff duties may be specially classified under this section. In order to qualify for such classification, any auxiliary deputy sheriff who applies for such classification shall identify the vehicle for which this classification is sought, and shall furnish the commissioner of revenue or other assessing officer with a certification from the governing body that has appointed such auxiliary deputy sheriff or from the official who has appointed such auxiliary deputy sheriff. That certification shall state that the applicant is an auxiliary deputy sheriff who regularly uses a motor vehicle to respond to such auxiliary duties, and it shall state that the vehicle for which the classification is sought is the vehicle that is regularly used for that purpose. The certification shall be submitted by January 31 of each year to the commissioner of revenue or other assessing officer; however, the commissioner of revenue or other assessing officer shall be authorized, in his discretion, and for good cause shown and without fault on the part of the member, to accept a certification after the January 31 deadline;

33. Forest harvesting and silvicultural activity equipment, except as exempted under § 58.1-3505;

34. Equipment used primarily for research, development, production, or provision of biotechnology for the purpose of developing or providing products or processes for specific commercial or public purposes, including medical, pharmaceutical, nutritional, and other health-related purposes; agricultural purposes; or environmental purposes but not for human cloning purposes as defined in § 32.1-162.21 or for products or purposes related to human embryo stem cells. For purposes of this section, biotechnology equipment means equipment directly used in activities associated with the science of living things;

35. Boats or watercraft weighing less than five tons, used for business purposes only;

36. Boats or watercraft weighing five tons or more, used for business purposes only;

37. Tangible personal property which is owned and operated by a service provider who is not a CMRS provider and is not licensed by the FCC used to provide, for a fee, wireless broadband Internet

182 service. For purposes of this subdivision, "wireless broadband Internet service" means a service that
183 enables customers to access, through a wireless connection at an upload or download bit rate of more
184 than one megabyte per second, Internet service, as defined in § 58.1-602, as part of a package of
185 services sold to customers;

186 38. Low-speed vehicles as defined in § 46.2-100;

187 39. Motor vehicles with a seating capacity of not less than 30 persons, including the driver;

188 40. Motor vehicles powered solely by electricity;

189 41. Tangible personal property designed and used primarily for the purpose of manufacturing a
190 product from renewable energy as defined in § 56-576;

191 42. Motor vehicles leased by a county, city, town, or constitutional officer if the locality or
192 constitutional officer is obligated by the terms of the lease to pay tangible personal property tax on the
193 motor vehicle;

194 43. Computer equipment and peripherals used in a data center. For purposes of this subdivision,
195 "data center" means a facility whose primary services are the storage, management, and processing of
196 digital data and is used to house (i) computer and network systems, including associated components
197 such as servers, network equipment and appliances, telecommunications, and data storage systems; (ii)
198 systems for monitoring and managing infrastructure performance; (iii) equipment used for the
199 transformation, transmission, distribution, or management of at least one megawatt of capacity of
200 electrical power and cooling, including substations, uninterruptible power supply systems, all electrical
201 plant equipment, and associated air handlers; (iv) Internet-related equipment and services; (v) data
202 communications connections; (vi) environmental controls; (vii) fire protection systems; and (viii) security
203 systems and services;

204 44. Motor vehicles (i) owned by persons who serve as uniformed members of the Virginia Defense
205 Force pursuant to Article 4.2 (§ 44-54.4 et seq.) of Chapter 1 of Title 44 or (ii) leased by persons who
206 serve as uniformed members of the Virginia Defense Force pursuant to Article 4.2 (§ 44-54.4 et seq.) of
207 Chapter 1 of Title 44 if the person is obligated by the terms of the lease to pay tangible personal
208 property tax on the motor vehicle. One motor vehicle that is regularly used by a uniformed member of
209 the Virginia Defense Force to respond to his official duties may be specially classified under this
210 section. In order to qualify for such classification, any person who applies for such classification shall
211 identify the vehicle for which the classification is sought and shall furnish to the commissioner of the
212 revenue or other assessing officer a certification from the Adjutant General of the Department of
213 Military Affairs under § 44-11. That certification shall state that (a) the applicant is a uniformed member
214 of the Virginia Defense Force who regularly uses a motor vehicle to respond to his official duties, and
215 (b) the vehicle for which the classification is sought is the vehicle that is regularly used for that purpose.
216 The certification shall be submitted by January 31 of each year to the commissioner of the revenue or
217 other assessing officer; however, the commissioner of revenue or other assessing officer shall be
218 authorized, in his discretion, and for good cause shown and without fault on the part of the member, to
219 accept a certification after the January 31 deadline;

220 45. If a locality has adopted an ordinance pursuant to subsection D of § 58.1-3703, tangible personal
221 property of a business that qualifies under such ordinance for the first two tax years in which the
222 business is subject to tax upon its personal property pursuant to this chapter. If a locality has not
223 adopted such ordinance, this classification shall apply to the tangible personal property for such first two
224 tax years of a business that otherwise meets the requirements of subsection D of § 58.1-3703;

225 46. Miscellaneous and incidental tangible personal property employed in a trade or business that is
226 not classified as machinery and tools pursuant to Article 2 (§ 58.1-3507 et seq.), merchants' capital
227 pursuant to Article 3 (§ 58.1-3509 et seq.), or short-term rental property pursuant to Article 3.1
228 (§ 58.1-3510.4 et seq.), and has an original cost of less than \$500. A county, city, or town shall allow a
229 taxpayer to provide an aggregate estimate of the total cost of all such property owned by the taxpayer
230 that qualifies under this subdivision, in lieu of a specific, itemized list; and

231 47. Commercial fishing vessels and property permanently attached to such vessels.

232 B. The governing body of any county, city or town may levy a tax on the property enumerated in
233 subsection A at different rates from the tax levied on other tangible personal property. The rates of tax
234 and the rates of assessment shall (i) *For taxable years beginning on and after January 1, 2022* ~~for~~
235 ~~purposes of subdivisions A 1, 2, 3, 4, 5, 6, 8, 11 through 20, 22 through 24, and 26 through 47, not~~
236 ~~exceed that applicable to the general class of tangible personal property,~~ (ii) for purposes of subdivisions
237 A 7, 9, 21, and 25, not exceed that applicable to machinery and tools, and (iii) for purposes of
238 subdivision A 10, equal that applicable to real property. If an item of personal property is included in
239 multiple classifications under subsection A, then the rate of tax shall be the lowest rate assigned to such
240 classifications.

241 C. Notwithstanding any other provision of this section, for any qualifying vehicle, as such term is
242 defined in § 58.1-3523, (i) included in any separate class of property in subsection A and (ii) assessed
243 for tangible personal property taxes by a county, city, or town receiving a payment from the

244 Commonwealth under Chapter 35.1 (§ 58.1-3523 et seq.) for providing tangible personal property tax
245 relief, the county, city, or town may levy the tangible personal property tax on such qualifying vehicle
246 at a rate not to exceed the rates of tax and rates of assessment required under such chapter.

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