

## VIRGINIA ACTS OF ASSEMBLY — CHAPTER

*An Act to amend and reenact § 58.1-602 of the Code of Virginia, relating to the Virginia Retail Sales and Use Tax Act.*

[H 2286]

Approved

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

§ 58.1-602. 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.

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

"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

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57 inventory, degree of mechanization, amount of capital investment, number of employees or other factors  
 58 relating principally to the size of the business. Further, "industrial in nature" shall include, but not be  
 59 limited to, those businesses classified in codes 10 through 14 and 20 through 39 published in the  
 60 Standard Industrial Classification Manual for 1972 and any supplements issued thereafter.

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

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

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

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

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

83 The terms "retail sale" and a "sale at retail" shall specifically include the following: (i) the sale or  
 84 charges for any room or rooms, lodgings, or accommodations furnished to transients for less than ninety  
 85 continuous days by any hotel, motel, inn, tourist camp, tourist cabin, camping grounds, club, or any  
 86 other place in which rooms, lodging, space, or accommodations are regularly furnished to transients for  
 87 a consideration; and (ii) sales of tangible personal property to persons for resale when because of the  
 88 operation of the business, or its very nature, or the lack of a place of business in which to display a  
 89 certificate of registration, or the lack of a place of business in which to keep records, or the lack of  
 90 adequate records, or because such persons are minors or transients, or because such persons are engaged  
 91 in essentially service businesses, or for any other reason there is likelihood that the Commonwealth will  
 92 lose tax funds due to the difficulty of policing such business operations. The Tax Commissioner is  
 93 authorized to promulgate regulations requiring vendors of or sellers to such persons to collect the tax  
 94 imposed by this chapter on the cost price of such tangible personal property to such persons and may  
 95 refuse to issue certificates of registration to such persons.

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

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

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

112 "Sales price" means the total amount for which tangible personal property or services are sold,  
 113 including any services that are a part of the sale, valued in money, whether paid in money or otherwise,  
 114 and includes any amount for which credit is given to the purchaser, consumer, or lessee by the dealer,  
 115 without any deduction therefrom on account of the cost of the property sold, the cost of materials used,  
 116 labor or service costs, losses or any other expenses whatsoever. "Sales price" shall not include (i) any  
 117 cash discount allowed and taken or (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. Where used articles are taken in trade, or in a series of trades as a credit or part payment on the sale of new or used articles, the tax levied by this chapter shall be paid on the net difference between the sales price of the new or used articles and the credit for the used articles.

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

"Tangible personal property" means personal property which may be seen, weighed, measured, felt, or touched, or is in any other manner perceptible to the senses. The term "tangible personal property" shall not include stocks, bonds, notes, insurance or other obligations or securities.

"Use" means the exercise of any right or power over tangible personal property incident to the ownership thereof, except that it does not include the sale at retail of that property in the regular course of business. *The term does not include the exercise of any right or power, including use, distribution, or storage, over any tangible personal property sold to a nonresident donor for delivery outside of the Commonwealth to a nonresident recipient pursuant to an order placed by the donor from outside the Commonwealth via mail or telephone.*

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

"Used directly," when used in relation to manufacturing, processing, refining, or conversion, refers to those activities which are an integral part of the production of a product, including all steps of an integrated manufacturing or mining process, but not including ancillary activities such as general 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.