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**HOUSE BILL NO. 753**

Offered January 25, 1994

*A BILL to amend and reenact § 58.1-609.3 of the Code of Virginia, relating to commercial and industrial sales and use tax exemptions.*

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Patron—Cranwell

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Referred to Committee on Finance

**Be it enacted by the General Assembly of Virginia:****1. That § 58.1-609.3 of the Code of Virginia is amended and reenacted as follows:**

§ 58.1-609.3. Commercial and industrial 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. Personal property purchased by a contractor which is used solely in another state or in a foreign country, which could be purchased by such contractor for such use free from sales tax in such other state or foreign country, and which is stored temporarily in Virginia pending shipment to such state or country.

2. (i) Industrial materials for future processing, manufacturing, refining, or conversion into articles of tangible personal property for resale where such industrial materials either enter into the production of or become a component part of the finished product; (ii) industrial materials that are coated upon or impregnated into the product at any stage of its being processed, manufactured, refined, or converted for resale; (iii) machinery or tools or repair parts therefor or replacements thereof, fuel, power, energy, or supplies, used directly in processing, manufacturing, refining, mining or converting products for sale or resale; (iv) materials, containers, labels, sacks, cans, boxes, drums or bags for future use for packaging tangible personal property for shipment or sale; or (v) equipment, printing or supplies used directly to produce a publication described in subdivision 3 of § 58.1-609.6 whether it is ultimately sold at retail or for resale or distribution at no cost. Machinery, tools and equipment, or repair parts therefor or replacements thereof, shall be exempt if the preponderance of their use is directly in processing, manufacturing, refining, mining or converting products for sale or resale.

3. Tangible personal property sold or leased to (i) a public service corporation subject to a state franchise or license tax upon gross receipts, (ii) a telecommunications company as defined in § 58.1-400.1 or (iii) a telephone company chartered in the Commonwealth which is exclusively a local mutual association and is not designated to accumulate profits for the benefit of, or to pay dividends to, the stockholders or members thereof, for use or consumption by such corporation, company, person or mutual association directly in the rendition of its public service; and tangible personal property sold or leased to a public service corporation engaged in business as a common carrier of property or passengers by motor vehicle or railway, for use or consumption by such common carrier directly in the rendition of its public service.

4. Ships or vessels, or repairs and alterations thereof, used or to be used exclusively or principally in interstate or foreign commerce; fuel and supplies for use or consumption aboard ships or vessels plying the high seas, either in intercoastal trade between ports in the Commonwealth and ports in other states of the United States or its territories or possessions, or in foreign commerce between ports in the Commonwealth and ports in foreign countries, when delivered directly to such ships or vessels; or tangible personal property used directly in the building, conversion or repair of the ships or vessels covered by this subdivision.

5. Tangible personal property purchased for use or consumption directly and exclusively in basic research or research and development in the experimental or laboratory sense.

6. Tangible personal property sold or leased to an airline operating in intrastate, interstate or foreign commerce as a common carrier providing scheduled air service, as defined in § 58.1-1501, on a continuing basis to one or more Virginia airports for use or consumption by such airline directly in the rendition of its common carrier service.

7. Meals furnished by restaurants or food service operators to employees as a part of wages.

8. Tangible personal property including machinery and tools, repair parts or replacements thereof, and supplies and materials used directly in maintaining and preparing textile products for rental or leasing by an industrial processor engaged in the commercial leasing or renting of laundered textile products.

9. Certified pollution control equipment and facilities as defined in § 58.1-3660.

10. Parts, tires, meters and dispatch radios sold or leased to taxicab operators for use or consumption

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60 directly in the rendition of their services.

61 11. High speed electrostatic duplicators or any other duplicators which have a printing capacity of  
62 4,000 impressions or more per hour purchased or leased by persons engaged primarily in the printing or  
63 photocopying of products for sale or resale.

64 12. *From July 1, 1994, through June 30, 1996, raw materials, fuel, power, energy, supplies,*  
65 *machinery or tools or repair parts therefor or replacements thereof, used directly in the exploration for*  
66 *or drilling, extraction, refining, or processing of natural gas or oil and the reclamation of the well area.*  
67 *For the purposes of this section, the term "natural gas" shall mean "gas," "natural gas," and "coalbed*  
68 *methane gas" as defined in § 45.1-361.1. For the purposes of this section, "drilling," "extraction,"*  
69 *"refining," and "processing" shall include production, inspection, testing, dewatering, dehydration, or*  
70 *distillation of raw natural gas into a usable condition consistent with commercial practices, and the*  
71 *gathering and transportation of raw natural gas to a facility wherein the gas is converted into such a*  
72 *usable condition.*