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SENATE BILL NO. 999

Offered January 17, 1997

A BILL to amend and reenact § 58.1-609.7 of the Code of Virginia and to amend the Code of Virginia by adding in Article 3 of Chapter 3 of Title 58.1 a section numbered 58.1-339.4, relating to state tax credits and exemptions.

Patrons—Gartlan, Colgan, Earley, Quayle, Saslaw, Waddell and Walker; Delegates: Almand, Barlow, Callahan, Connally, Cooper, Hall, Jones, J.C., McDonnell, Scott, Stump, Thomas and Van Yahres

Referred to the Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That § 58.1-609.7 of the Code of Virginia is amended and reenacted and that the Code of Virginia is amended by adding in Article 3 of Chapter 3 of Title 58.1 a section numbered 58.1-339.4 as follows:

§ 58.1-339.4. *Earned-income credit.*

Any individual whose Virginia taxable income does not exceed \$19,000 shall be allowed a credit for earned income against the tax levied pursuant to § 58.1-320. Any individual whose credit exceeds his tax liability shall receive a refund equal to the amount the credit exceeds the tax liability. The allowable credit amount shall be equal to a percentage of the federal earned-income credit allowed the individual for the taxable year under § 32 (a) (1) of the Internal Revenue Code, using the percentages under § 32 (b) with the limitation contained in § 32 (a) (2), as follows:

1. Individuals with Virginia taxable income \$11,000 or less shall be allowed a credit equal to ten percent of the federal earned-income credit;

2. Individuals with Virginia taxable income in excess of \$11,000 but not in excess of \$12,000 shall be allowed a credit equal to nine percent of the federal earned-income credit;

3. Individuals with Virginia taxable income in excess of \$12,000 but not in excess of \$13,000 shall be allowed a credit equal to eight percent of the federal earned-income credit;

4. Individuals with Virginia taxable income in excess of \$13,000 but not in excess of \$14,000 shall be allowed a credit equal to seven percent of the federal earned-income credit;

5. Individuals with Virginia taxable income in excess of \$14,000 but not in excess of \$15,000 shall be allowed a credit equal to six percent of the federal earned-income credit;

6. Individuals with Virginia taxable income in excess of \$15,000 but not in excess of \$16,000 shall be allowed a credit equal to five percent of the federal earned-income credit;

7. Individuals with Virginia taxable income in excess of \$16,000 but not in excess of \$17,000 shall be allowed a credit equal to four percent of the federal earned-income credit;

8. Individuals with Virginia taxable income in excess of \$17,000 but not in excess of \$18,000 shall be allowed a credit equal to three percent of the federal earned-income credit; and

9. Individuals with Virginia taxable income in excess of \$18,000 but not in excess of \$19,000 shall be allowed a credit equal to two percent of the federal earned-income credit.

§ 58.1-609.7. *Medical-related 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. Medicines, drugs, hypodermic syringes, artificial eyes, contact lenses, eyeglasses and hearing aids dispensed by or sold on prescriptions or work orders of licensed physicians, dentists, optometrists, ophthalmologists, opticians, audiologists, hearing aid dealers and fitters, nurse practitioners, physician's assistants, and veterinarians; controlled drugs purchased for use by a licensed physician in his professional practice, regardless of whether such practice is organized as a sole proprietorship, partnership or professional corporation, or any other type of corporation in which the shareholders and operators are all licensed physicians engaged in the practice of medicine, but excluding hospitals, nursing homes, clinics, and similar corporations not otherwise exempt under this section; and samples of prescription drugs and medicines and their packaging distributed free of charge to authorized recipients in accordance with the Federal Food, Drug and Cosmetic Act (21 U.S.C.A. § 301 et seq., as amended). Any veterinarian dispensing or selling medicines or drugs on prescription shall be deemed to be the user or consumer of all such medicines and drugs.

2. Wheelchairs and parts therefor, braces, crutches, prosthetic devices, orthopedic appliances, catheters, urinary accessories, other durable medical equipment and devices, and related parts and supplies specifically designed for those products; and insulin and insulin syringes, and equipment, devices or chemical reagents which may be used by a diabetic to test or monitor blood or urine, when

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60 such items or parts are purchased by or on behalf of an individual for use by such individual. Durable
61 medical equipment is equipment which (i) can withstand repeated use, (ii) is primarily and customarily
62 used to serve a medical purpose, (iii) generally is not useful to a person in the absence of illness or
63 injury, and (iv) is appropriate for use in the home.

64 3. Drugs and supplies used in hemodialysis and peritoneal dialysis.

65 4. Tangible personal property for use or consumption by a nonprofit hospital or a nonprofit licensed
66 nursing home.

67 5. Tangible personal property for use or consumption by community health centers exempt from
68 taxation under § 501 (c) (3) of the Internal Revenue Code and established for the purpose of providing
69 health care services for areas of the Commonwealth containing a medically underserved population as
70 defined by 42 U.S.C. § 254 c (b) (3).

71 6. Special equipment installed on a motor vehicle when purchased by a handicapped person to enable
72 such person to operate the motor vehicle.

73 7. Tangible nonmedical personal property purchased by a nonprofit organization organized
74 exclusively for the purpose of providing housing and ancillary assistance for individuals suffering from
75 leukemia or oncological diseases, for other ill individuals, and for the families of such individuals during
76 periods of medical treatment of such individuals at any hospital in the Commonwealth.

77 8. Tangible personal property purchased by a voluntary health organization exempt from taxation
78 under § 501 (c) (3) of the Internal Revenue Code and organized exclusively for the purpose of providing
79 direct therapeutic and rehabilitative services, such as speech therapy, physical therapy, and camping and
80 recreational activities, to the children and adults of this Commonwealth regardless of the nature of their
81 disease or socio-economic position.

82 9. Special typewriters and computers and related parts and supplies specifically designed for those
83 products used by handicapped persons to communicate when such equipment is prescribed by a licensed
84 physician.

85 10. Tangible personal property purchased for use or consumption by health maintenance
86 organizations licensed under Chapter 43 (§ 38.2-4300 et seq.) of Title 38.2 which are exempt from
87 taxation under § 501 (c) (3) of the Internal Revenue Code.

88 11. Tangible personal property for use or consumption by a nonprofit, nonstock corporation which is
89 exempt from taxation under § 501 (c) (3) of the Internal Revenue Code and which is organized under
90 the laws of the Commonwealth exclusively for the purpose of conducting a clinic furnishing free health
91 care services by licensed physicians and dentists.

92 12. Tangible personal property purchased for use or consumption by any nonprofit hospital
93 cooperative or nonprofit hospital corporation organized and operated for the sole purpose of providing
94 services exclusively to nonprofit hospitals. This exemption shall not apply to any nonprofit hospital,
95 cooperative or nonprofit hospital corporation providing services of any kind or to any extent to other
96 than nonprofit hospitals.

97 13. From July 1, 1989, through June 30, 1998, tangible personal property purchased for use or
98 consumption by a nonprofit high blood pressure center which is used exclusively to provide medical
99 assistance to indigent persons diagnosed with hypertension.

100 14. From July 1, 1989, through June 30, 1998, tangible personal property purchased for use or
101 consumption by a tissue bank exempt from taxation under § 501 (c) (3) of the Internal Revenue Code
102 and established for purposes of procuring, preserving, processing, allocating or distributing bones,
103 organs, blood, skin and other human tissue to licensed physicians for clinical use.

104 15. ~~Beginning July 1, 1998, any nonprescription drugs and proprietary medicines purchased for the~~
105 ~~cure, mitigation, treatment, or prevention of disease in human beings. The terms "nonprescription drugs"~~
106 ~~and "proprietary medicines" shall be defined pursuant to regulations promulgated by the Department of~~
107 ~~Taxation. The exemption authorized in this subdivision shall not apply to cosmetics.~~

108 16. From July 1, 1994, through June 30, 1998, tangible personal property purchased for use or
109 consumption or sold by a volunteer medical services organization exempt from taxation under § 501 (c)
110 (3) of the Internal Revenue Code and established to provide reconstructive surgery and related health
111 care to indigent children and young adults in developing countries and the United States.

112 17. From July 1, 1995, through June 30, 1998, tangible personal property purchased for use or
113 consumption by a nonprofit organization exempt from taxation under § 501 (c) (3) of the Internal
114 Revenue Code and organized exclusively for educational, scientific, and charitable purposes relating to
115 the promotion of health within the boundaries of the Eighth Planning District established pursuant to
116 § 15.1-1403, including (i) operating a medical clinic which shall provide services without charge or shall
117 charge less than prevailing rates to those who are unable to obtain health care through conventional
118 means and (ii) educating and providing information to the general public regarding the treatment and
119 prevention of those conditions which commonly affect the poor.

120 18. From July 1, 1995, through June 30, 1998, equipment and supplies purchased for use or
121 consumption by a nonprofit charitable organization which is exempt from taxation under § 501 (c) (3) of

the Internal Revenue Code and which is organized and operated exclusively for the purpose of providing charitable, long-distance, advanced life-support, air ambulance services for low-income medical patients in the Commonwealth.

19 18. From July 1, 1995, through June 30, 1998, tangible personal property purchased for use or consumption by a nonprofit organization exempt from taxation under § 501 (c) (3) of the Internal Revenue Code, organized exclusively to provide medical and psychological evaluations and direct therapeutic and rehabilitative medical and psychological treatment and services to child-abuse victims within the boundaries of the Twenty-third Planning District established pursuant to § 15.1-1403.

20 19. Through June 30, 1998, medical products and supplies, which are otherwise taxable, such as bandages, gauze dressings, incontinence products and wound-care products, when purchased by a Medicaid recipient through a Department of Medical Assistance Services provider agreement.

21 20. From July 1, 1995, through June 30, 1998, tangible personal property purchased for use or consumption by an organization exempt from taxation under § 501 (c) (3) of the Internal Revenue Code and established to provide a comprehensive network of medical and psycho-social treatment to adults, on both an inpatient and outpatient basis, or to adolescent patients in a residential setting, within the boundaries of the Fifteenth Planning District established pursuant to § 15.1-1403.

22 21. From July 1, 1996, through June 30, 1998, tangible personal property purchased for use or consumption by an organization exempt from taxation under § 501 (c) (3) of the Internal Revenue Code and organized and operated primarily to benefit a medical college affiliated with a state university by providing support services to and conducting the professional practices of faculty members associated with such medical college.

2. That the provisions of this act shall be effective for taxable years beginning on and after January 1, 1998.