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**HOUSE BILL NO. 2414****AMENDMENT IN THE NATURE OF A SUBSTITUTE**(Proposed by the Joint Conference Committee  
on February 20, 2001)

(Patron Prior to Substitute—Delegate May)

*A BILL to amend and reenact § 58.1-609.3 of the Code of Virginia, relating to sales and use taxation; commercial and industrial exemptions.***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. The provisions of this subsection do not apply to the drilling, extraction, refining, or processing of oil, gas, natural gas and coalbed methane gas.

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. This exemption shall include dredges, their supporting equipment, attendant vessels, and fuel and supplies for use or consumption aboard such vessels, provided the dredges are used exclusively or principally in interstate or foreign commerce.

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 on a continuing basis to one or more Virginia airports at least one day per week, 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.

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60 9. (i) Certified pollution control equipment and facilities as defined in § 58.1-3660 and (ii) effective  
61 retroactive to July 1, 1994, and through June 30, 2001, certified pollution control equipment and  
62 facilities as defined in § 58.1-3660 and which, in accordance with such section, have been certified by  
63 the Department of Mines, Minerals and Energy for coal, oil and gas production, including gas, natural  
64 gas, and coalbed methane gas.

65 10. Parts, tires, meters and dispatch radios sold or leased to taxicab operators for use or consumption  
66 directly in the rendition of their services.

67 11. High speed electrostatic duplicators or any other duplicators which have a printing capacity of  
68 4,000 impressions or more per hour purchased or leased by persons engaged primarily in the printing or  
69 photocopying of products for sale or resale.

70 12. From July 1, 1994, through June 30, 2001, raw materials, fuel, power, energy, supplies,  
71 machinery or tools or repair parts therefor or replacements thereof, used directly in the drilling,  
72 extraction, refining, or processing of natural gas or oil and the reclamation of the well area. For the  
73 purposes of this section, the term "natural gas" shall mean "gas," "natural gas," and "coalbed methane  
74 gas" as defined in § 45.1-361.1. For the purposes of this section, "drilling," "extraction," "refining," and  
75 "processing" shall include production, inspection, testing, dewatering, dehydration, or distillation of raw  
76 natural gas into a usable condition consistent with commercial practices, and the gathering and  
77 transportation of raw natural gas to a facility wherein the gas is converted into such a usable condition.  
78 Machinery, tools and equipment, or repair parts therefor or replacements thereof, shall be exempt if the  
79 preponderance of their use is directly in the drilling, extraction, refining, or processing of natural gas or  
80 oil for sale or resale, or in well area reclamation activities required by state or federal law.

81 13. ~~From Beginning July 1, 1997, through June 30, 2001, and ending July 1, 2005,~~ (i) the sale, lease,  
82 use, storage, consumption, or distribution of an orbital or suborbital space facility, space propulsion  
83 system, space vehicle, satellite, or space station of any kind possessing space flight capability, including  
84 the components thereof, irrespective of whether such facility, system, vehicle, satellite, or station is  
85 returned to this Commonwealth for subsequent use, storage or consumption in any manner when used to  
86 conduct spaceport activities; (ii) the sale, lease, use, storage, consumption or distribution of tangible  
87 personal property placed on or used aboard any orbital or suborbital space facility, space propulsion  
88 system, space vehicle, satellite or space station of any kind, irrespective of whether such tangible  
89 personal property is returned to this Commonwealth for subsequent use, storage or consumption in any  
90 manner when used to conduct spaceport activities; (iii) fuels of such quality not adapted for use in  
91 ordinary vehicles, being produced for, sold and exclusively used for space flight when used to conduct  
92 spaceport activities; (iv) the sale, lease, use, storage, consumption or distribution of machinery and  
93 equipment purchased, sold, leased, rented or used exclusively for spaceport activities and the sale of  
94 goods and services provided to operate and maintain launch facilities, launch equipment, payload  
95 processing facilities and payload processing equipment used to conduct spaceport activities.

96 For purposes of this subdivision, "spaceport activities" means activities directed or sponsored at a  
97 facility owned, leased, or operated by or on behalf of the Virginia Commercial Space Flight Authority.

98 The exemptions provided by this subdivision shall not be denied by reason of a failure,  
99 postponement or cancellation of a launch of any orbital or suborbital space facility, space propulsion  
100 system, space vehicle, satellite or space station of any kind or the destruction of any launch vehicle or  
101 any components thereof.