

2004 SPECIAL SESSION I

INTRODUCED

042650456

HOUSE BILL NO. 5009

Offered March 30, 2004

A *BILL to amend and reenact §§ 46.2-694, 46.2-694.1, 46.2-697, 46.2-698, 46.2-700, 46.2-730, 58.1-321, 58.1-322, 58.1-609.3, 58.1-638, 58.1-1001, 58.1-2217, 58.1-2249, 58.1-2289, 58.1-2701, and 58.1-2706 of the Code of Virginia, and to amend the Code of Virginia by adding a section numbered 46.2-702.1, relating to state taxes.*

Patron—Petersen

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 46.2-694, 46.2-694.1, 46.2-697, 46.2-698, 46.2-700, 46.2-730, 58.1-321, 58.1-322, 58.1-609.3, 58.1-638, 58.1-1001, 58.1-2217, 58.1-2249, 58.1-2289, 58.1-2701, and 58.1-2706 of the Code of Virginia are amended and reenacted, and that the Code of Virginia is amended by adding a section numbered 46.2-702.1 as follows:

§ 46.2-694. Fees for vehicles designed and used for transportation of passengers; weights used for computing fees; burden of proof.

A. The annual registration fees for motor vehicles, trailers, and semitrailers designed and used for the transportation of passengers on the highways in the Commonwealth are:

1. ~~Twenty-three~~ *Forty-six* dollars for each private passenger car or motor home if the passenger car or motor home weighs 4,000 pounds or less, provided that it is not used for the transportation of passengers for compensation and is not kept or used for rent or for hire, or is not operated under a lease without a chauffeur.

2. ~~Twenty-eight~~ *Fifty-six* dollars for each passenger car or motor home which weighs more than 4,000 pounds, provided that it is not used for the transportation of passengers for compensation and is not kept or used for rent or for hire, or is not operated under a lease without a chauffeur.

3. Thirty cents per 100 pounds or major fraction thereof for a private motor vehicle other than a motorcycle with a normal seating capacity of more than ~~ten~~ 10 adults including the driver if the private motor vehicle is not used for the transportation of passengers for compensation and is not kept or used for rent or for hire or is not operated under a lease without a chauffeur. In no case shall the fee be less than ~~twenty-three dollars~~ \$46 if the vehicle weighs 4,000 pounds or less or ~~twenty-eight dollars~~ \$56 if the vehicle weighs more than 4,000 pounds.

4. Thirty cents per 100 pounds or major fraction thereof for a school bus. In no case shall the fee be less than ~~twenty-three dollars~~ \$46 if the vehicle weighs 4,000 pounds or less or ~~twenty-eight~~ \$56 dollars if the vehicle weighs more than 4,000 pounds.

5. ~~Twenty-three~~ *Forty-six* dollars for each trailer or semitrailer designed for use as living quarters for human beings.

6. ~~Thirteen~~ *Twenty-six* dollars plus ~~thirty~~ 30 cents per 100 pounds or major fraction thereof for each motor vehicle, trailer, or semitrailer used as a common carrier of passengers, operating either intrastate or interstate. Interstate common carriers of interstate passengers may elect to be licensed and pay the fees prescribed in subdivision 7 of this subsection on submission to the Commissioner of a declaration of operations and equipment as he may prescribe. An additional ~~five dollars~~ \$5 shall be charged if the motor vehicle weighs more than 4,000 pounds.

7. ~~Thirteen~~ *Twenty-six* dollars plus ~~seventy~~ 70 cents per 100 pounds or major fraction thereof for each motor vehicle, trailer, or semitrailer used as a common carrier of interstate passengers if election is made to be licensed under this subsection. An additional ~~five dollars~~ \$5 shall be charged if the motor vehicle weighs more than 4,000 pounds. In lieu of the foregoing fee of ~~seventy~~ 70 cents per 100 pounds, a motor carrier of passengers, operating two or more vehicles both within and outside the Commonwealth and registered for insurance purposes with the Surface Transportation Board of the United States Department of Transportation, Federal Highway Administration, may apply to the Commissioner for prorated registration. Upon the filing of such application, in such form as the Commissioner may prescribe, the Commissioner shall apportion the registration fees provided in this subsection so that the total registration fees to be paid for such vehicles of such carrier shall be that proportion of the total fees, if there were no apportionment, that the total number of miles traveled by such vehicles of such carrier within the Commonwealth bears to the total number of miles traveled by such vehicles within and outside the Commonwealth. Such total mileage in each instance is the estimated total mileage to be traveled by such vehicles during the license year for which such fees are paid, subject to the adjustment in accordance with an audit to be made by representatives of the

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59 Commissioner at the end of such license year, the expense of such audit to be borne by the carrier being
60 audited. Each vehicle passing into or through Virginia shall be registered and licensed in Virginia and
61 the annual registration fee to be paid for each such vehicle shall not be less than ~~thirty-three dollars~~ \$43.
62 For the purpose of determining such apportioned registration fees, only those motor vehicles, trailers, or
63 semitrailers operated both within and outside the Commonwealth shall be subject to inclusion in
64 determining the apportionment provided for herein.

65 8. ~~Thirteen~~ *Twenty-six* dollars plus ~~eighty~~ 80 cents per 100 pounds or major fraction thereof for each
66 motor vehicle, trailer or semitrailer kept or used for rent or for hire or operated under a lease without a
67 chauffeur for the transportation of passengers. An additional fee of ~~five dollars~~ \$5 shall be charged if the
68 vehicle weighs more than 4,000 pounds. This subsection does not apply to vehicles used as common
69 carriers.

70 9. ~~Twenty-three~~ *Forty-six* dollars for a taxicab or other vehicle ~~which~~ *that* is kept for rent or hire
71 operated with a chauffeur for the transportation of passengers, and which operates or should operate
72 under permits issued by the Department as required by law. An additional fee of ~~five dollars~~ \$5 shall be
73 charged if the vehicle weighs more than 4,000 pounds. This subsection does not apply to vehicles used
74 as common carriers.

75 10. ~~Eighteen~~ *Thirty-six* dollars for a motorcycle, with or without a sidecar. To this fee shall be added
76 a surcharge of ~~three dollars~~ \$3, which shall be distributed as provided in § 46.2-1191.

77 11. ~~Twenty-three~~ *Forty-six* dollars for a bus used exclusively for transportation to and from Sunday
78 school or church, for the purpose of divine worship. If the empty weight of the vehicle exceeds 4,000
79 pounds, the fee shall be ~~twenty-eight dollars~~ \$56.

80 12. ~~Thirteen~~ *Twenty-six* dollars plus ~~seventy~~ 70 cents per 100 pounds or major fraction thereof for
81 other passenger-carrying vehicles.

82 13. An additional fee of ~~four dollars~~ \$4 per year shall be charged and collected at the time of
83 registration of each pickup or panel truck and each motor vehicle under subdivisions 1 through 12 of
84 this subsection. All funds collected pursuant to this subdivision shall be paid into the state treasury and
85 shall be set aside as a special fund to be used only for emergency medical service purposes. The
86 moneys in the special fund shall be distributed as follows:

87 a. Two and one-half percent shall be distributed to the Virginia Association of Volunteer Rescue
88 Squads;

89 b. Thirteen and one-half percent shall be distributed to the State Department of Health to support (i)
90 emergency medical services training programs (excluding advanced life support classes), (ii) advanced
91 life support training, and (iii) recruitment and retention programs (all funds for such support shall be
92 used to recruit and retain volunteer emergency medical services personnel only, including public
93 awareness campaigns, technical assistance programs, and similar activities). Any funds set aside for
94 distribution under this provision and remaining undistributed at the end of any fiscal year shall revert to
95 the Rescue Squad Assistance Fund;

96 c. Thirty-one and three-quarters percent shall be distributed to the Rescue Squad Assistance Fund;

97 d. Twenty-seven and one-quarter percent shall be available to the State Department of Health for use
98 in emergency medical services; and

99 e. Twenty-five percent shall be returned by the Comptroller to the locality wherein such vehicle is
100 registered, to provide funding for training of volunteer or salaried emergency medical service personnel
101 of licensed, nonprofit emergency medical services agencies and for the purchase of necessary equipment
102 and supplies for use in such locality for licensed, nonprofit emergency medical and rescue services.

103 The Comptroller shall clearly designate on the warrant, check, or other means of transmitting these
104 funds that such moneys are only to be used for purposes set forth in this subdivision. Such funds shall
105 be in addition to any local appropriations and local governing bodies shall not use these funds to
106 supplant local funds. Each local governing body shall report annually to the Board of Health on the use
107 of the ~~twenty-five~~ 25 percent of the funds ~~which~~ *that* were returned to it. In any case in which the local
108 governing body grants the funds to a regional emergency medical services council to be distributed to
109 the licensed, nonprofit emergency medical and rescue services, the local governing body shall remain
110 responsible for the proper use of the funds. If, at the end of any fiscal year, a report on the use of the
111 ~~twenty-five~~ 25 percent of the funds for that year has not been received from a local governing body, any
112 funds due to that local governing body for the next fiscal year shall be retained until such time as the
113 report has been submitted to the Board.

114 B. All motor vehicles, trailers, and semitrailers registered as provided in subsection B of § 46.2-646
115 shall pay a registration fee equal to one-twelfth of all fees required by subsection A of this section or
116 § 46.2-697 for such motor vehicle, trailer, or semitrailer, computed to the nearest cent, multiplied by the
117 number of months in the registration period for such motor vehicles, trailers, and semitrailers.

118 C. The manufacturer's shipping weight or scale weight shall be used for computing all fees required
119 by this section to be based upon the weight of the vehicle.

120 D. The applicant for registration bears the burden of proof that the vehicle for which registration is

sought is entitled by weight, design, and use to be registered at the fee tendered by the applicant to the Commissioner or to his authorized agent.

§ 46.2-694.1. Fees for trailers and semitrailers not designed and used for transportation of passengers. Unless otherwise specified in this title, the registration fees for trailers and semitrailers not designed and used for the transportation of passengers on the highways in the Commonwealth shall be as follows:

Registered Gross Weight	1 Year Fee	2 Year Fee	Permanent Fee
0-1,500 lbs	\$8.00 \$16.00	\$16.00 \$32.00	\$50.00 \$100.00
1,501-4,000 lbs	\$18.50 \$37.00	\$37.00 \$74.00	\$50.00 \$100.00
4,001 lbs & above	\$23.50 \$47.00	\$47.00 \$74.00	\$50.00 \$100.00

From the foregoing registration fees, the following amounts, regardless of weight category, shall be paid by the Department into the state treasury and set aside for the payment of the administrative costs of the safety inspection program provided for in Article 21 (§ 46.2-1157 et seq.) of Chapter 10 of this title: (i) from each one-year registration fee, one dollar and fifty cents; (ii) from each two-year registration fee, three dollars; and (iii) from each permanent registration fee, four dollars.

§ 46.2-697. Fees for vehicles not designed or used for transportation of passengers.

A. Except as otherwise provided in this section, the fee for registration of all motor vehicles not designed and used for the transportation of passengers shall be ~~thirteen dollars~~ \$26 plus an amount determined by the gross weight of the vehicle or combination of vehicles of which it is a part, when loaded to the maximum capacity for which it is registered and licensed, according to the schedule of fees set forth in this section. For each 1,000 pounds of gross weight, or major fraction thereof, for which any such vehicle is registered, there shall be paid to the Commissioner the fee indicated in the following schedule immediately opposite the weight group and under the classification established by the provisions of subsection B of § 46.2-711 into which such vehicle, or any combination of vehicles of which it is a part, falls when loaded to the maximum capacity for which it is registered and licensed. The fee for a pickup or panel truck shall be ~~twenty-three dollars~~ \$46 if its gross weight is 4,000 pounds or less, and ~~twenty-eight dollars~~ \$56 if its gross weight is 4,001 pounds through 6,500 pounds. The fee shall be ~~twenty-nine~~ \$58 dollars for any motor vehicle with a gross weight of 6,501 pounds through 10,000 pounds.

Fee Per Thousand Pounds of Gross Weight

Gross Weight Gross (pounds)	Private Carriers	For Rent or For Hire Carriers
10,001 - 11,000	\$2.60	\$4.75
11,001 - 12,000	2.80	4.90
12,001 - 13,000	3.00	5.15
13,001 - 14,000	3.20	5.40
14,001 - 15,000	3.40	5.65
15,001 - 16,000	3.60	5.90
16,001 - 17,000	4.00	6.15
17,001 - 18,000	4.40	6.40
18,001 - 19,000	4.80	7.50
19,001 - 20,000	5.20	7.70
20,001 - 21,000	5.60	7.90
21,001 - 22,000	6.00	8.10
22,001 - 23,000	6.40	8.30
23,001 - 24,000	6.80	8.50
24,001 - 25,000	6.90	8.70
25,001 - 26,000	6.95	8.90
26,001 - 27,000	8.25	10.35
27,001 - 28,000	8.30	10.55
28,001 - 29,000	8.35	10.75
29,001 - 40,000	8.45	10.95
40,001 - 45,000	8.55	11.15
45,001 - 50,000	8.75	11.25
50,001 - 55,000	9.25	13.25
55,001 - 76,000	11.25	15.25
76,001 - 80,000	13.25	16.25

For all such motor vehicles exceeding a gross weight of 6,500 pounds, an additional fee of ~~five dollars~~ \$5 shall be imposed.

B. In lieu of registering any motor vehicle referred to in this section for an entire licensing year, the

owner may elect to register the vehicle only for one or more quarters of a licensing year, and in such case, the fee shall be ~~twenty-five~~ 25 percent of the annual fee plus ~~five dollars~~ \$5 for each quarter that the vehicle is registered.

C. When an owner elects to register and license a motor vehicle under subsection B of this section, the provisions of §§ 46.2-646 and 46.2-688 shall not apply.

D. Notwithstanding any other provision of law, no vehicle designed, equipped, and used to tow disabled or inoperable motor vehicles shall be required to register in accordance with any gross weight other than the gross weight of the towing vehicle itself, exclusive of any vehicle being towed.

E. All registrations and licenses issued for less than a full year shall expire on the date shown on the license and registration.

§ 46.2-698. Fees for farm vehicles.

A. The fees for registration of farm motor vehicles having gross weights of 7,500 pounds or more, when such vehicles are used exclusively for farm use as defined in this section, shall be one-half of the fee per 1,000 pounds of gross weight for private carriers as calculated under the provisions of § 46.2-697 and one-half of the fee for overload permits under § 46.2-1128, but the annual registration fee to be paid for each farm vehicle shall not be less than ~~fifteen dollars~~ \$30.

B. A farm motor vehicle is used exclusively for farm use:

1. When owned by a person who is engaged either as an owner, renter, or operator of a farm of a size reasonably requiring the use of such vehicle or vehicles and when such vehicle is:

a. Used in the transportation of agricultural commodities, poultry, dairy products, or livestock of the farm he is working to market, or to other points for sale or processing, or when used to transport materials, tools, equipment, or supplies which are to be used or consumed on the farm he is working, or when used for any other transportation incidental to the regular operation of such farm;

b. Used in transporting forest products, including forest materials originating on a farm or incident to the regular operation of a farm, to the farm he is working or transporting for any purpose forest products which originate on the farm he is working; or

c. Used in the transportation of farm produce, supplies, equipment, or materials to a farm not worked by him, pursuant to a mutual cooperative agreement.

2. When the nonfarm use of such motor vehicle is limited to the personal use of the owner and his immediate family in attending church or school, securing medical treatment or supplies, or securing other household or family necessities.

C. As used in this section, the term "farm" shall include one or more farms, orchards, or ranches, but does not include a tree farm unless it is part of what otherwise is a farm.

D. The first application for registration of a vehicle under this section shall be made on forms provided by the Department and shall include:

1. The location and acreage of each farm on which the vehicle to be registered is to be used;

2. The type of agricultural commodities, poultry, dairy products or livestock produced on such farms and the approximate amounts produced annually;

3. A statement, signed by the vehicle's owner, that the vehicle to be registered will only be used for one or more of the purposes specified in subsection B of this section; and

4. Other information required by the Department;

The above information is not required for the renewal of a vehicle's registration under this section.

E. The Department shall issue appropriately designated license plates for those motor vehicles registered under this section. The manner in which such license plates are designated shall be at the discretion of the Commissioner.

F. The owner of a farm vehicle shall inform the Commissioner within ~~thirty~~ 30 days or at the time of his next registration renewal, whichever comes first, when such vehicle is no longer used exclusively for farm use as defined in this section, and shall pay the appropriate registration fee for the vehicle based on its type of operation. It shall constitute a Class 2 misdemeanor to: (i) operate or to permit the operation of any farm motor vehicle for which the fee for registration and license plates is herein prescribed on any highway in the Commonwealth without first having paid the prescribed registration fee; or (ii) operate or permit the operation of any motor vehicle, registered under this section, for purposes other than as provided under subsection B of this section; or (iii) operate as a for-hire vehicle.

G. Nothing in this section shall affect the exemptions of agricultural and horticultural vehicles under §§ 46.2-664 through 46.2-670.

H. Notwithstanding other provisions of this section, vehicles licensed under this section may be used by volunteer rescue squad members and volunteer firefighters in responding to emergency calls, in reporting for regular duty, and in attending squad meetings and drills.

§ 46.2-700. Fees for vehicles for transporting well-drilling machinery and specialized mobile equipment.

A. The fee for registration of any motor vehicle, trailer, or semitrailer on which well-drilling machinery is attached and which is permanently used solely for transporting the machinery shall be

15 ~~ten~~ dollars \$30.

B. The fee for the registration of specialized mobile equipment shall be ~~fifteen~~ dollars \$30. "Specialized mobile equipment" shall mean any self-propelled motor vehicle manufactured for a specific purpose, other than for the transportation of passengers or property, which is used on a job site and whose movement on any highway is incidental to the purpose for which it was designed and manufactured. The vehicle must be constructed to fall within all size and weight requirements as contained in §§ 46.2-1105, 46.2-1110, 46.2-1113 and Article 17 (§ 46.2-1122 et seq.) of Chapter 10 of this title and must be capable of maintaining sustained highway speeds of ~~forty~~40 miles per hour or more. Vehicles registered under this section shall be exempt from the requirements of § 46.2-1157.

C. Specialized mobile equipment which cannot maintain a sustained highway speed in excess of ~~forty~~40 miles per hour, and trailers or semitrailers which are designed and manufactured for a specific purpose and whose movement on the highway is incidental to the purpose for which it was manufactured and which are not designed or used to transport persons or property, shall not be required to be registered under this chapter.

§ 46.2-702.1. Distribution of certain revenue.

An amount equivalent to the net additional revenues generated from the increases in the registration fees under §§ 46.2-694, 46.2-694.1, 46.2-697, 46.2-698, 46.2-700, and 46.2-730 effective July 1, 2004, pursuant to enactments of the 2004 Special Session of the General Assembly, shall be deposited by the Comptroller into the Transportation Trust Fund established under § 33.1-23.03:1.

§ 46.2-730. License plates for antique motor vehicles; fee.

A. On receipt of an application, the Commissioner shall issue appropriately designed license plates to owners of antique motor vehicles. These license plates shall be valid so long as title to the vehicle is vested in the applicant. The fee for the registration card and license plates of any of these vehicles shall be ~~ten~~ dollars \$20.

B. On receipt of an application, the Commissioner may authorize for use on antique motor vehicles Virginia license plates manufactured prior to 1976 and designed for use without decals, if such license plates are embossed with or are of the same year of issue as the model year of the antique motor vehicle on which they are to be displayed. Original metal year tabs issued in place of license plates for years 1943 and 1953 and used with license plates issued in 1942 and 1952, respectively, also may be authorized by the Commissioner for use on antique motor vehicles that are of the same model year as the year the metal tab was originally issued. These license plates and metal tabs shall remain valid so long as title to the vehicle is vested in the applicant. The fee for the registration card and permission to use the license plates and metal tabs on any of these vehicles shall be ~~ten~~ dollars \$20.

C. Notwithstanding the provisions of §§ 46.2-711 and 46.2-715, antique motor vehicles may display single license plates if the original manufacturer's design of the antique motor vehicles allows for the use of only single license plates or if the license plate was originally issued in one of the following years and is displayed in accordance with the provisions of subsection B of this section: 1906, 1907, 1908, 1909, 1945, or 1946.

D. Except as provided in subsection E of this section, motor vehicles registered with license plates issued under this section shall not be used for general transportation purposes, including, but not limited to, daily travel to and from the owner's place of employment, but shall only be used:

1. For participation in club activities, exhibits, tours, parades, and similar events; and
2. On the highways of the Commonwealth for the purpose of testing their operation, obtaining repairs or maintenance, transportation to and from events as described in subdivision 1 of this subsection, and for occasional pleasure driving not exceeding 250 miles from the residence of the owner.

E. Notwithstanding the foregoing provision of this section, antique motor vehicles displaying license plates issued pursuant to subsections B and C of this section may be used for general transportation purposes if the following conditions are met:

1. The physical condition of the vehicle's license plate or plates has been inspected and approved by the Department;
2. The license plate or plates are registered to the specific vehicle by the Department;
3. The owner of the vehicle periodically registers the vehicle with the Department and pays a registration fee for the vehicle equal to that which would be charged to obtain regular state license plates for that vehicle;
4. The vehicle passes a periodic safety inspection as provided in Article 21 (§ 46.2-1157 et seq.) of Chapter 10 of this title;
5. The vehicle displays current decals attached to the license plate, issued by the Department, indicating the valid registration period for the vehicle; and
6. When applicable, the vehicle meets the requirement of Article 22 (§ 46.2-1176 et seq.) of Chapter 10 of this title.

If more than one request is made for use, as provided in this subsection, of license plates having the

306 same number, the Department shall accept only the first such application. Only vehicles titled to the
307 person seeking to use license plates as provided in this subsection shall be eligible to use license plates
308 as provided in this subsection.

309 § 58.1-321. Exemptions and exclusions.

310 A. No tax levied pursuant to § 58.1-320 is imposed, nor any return required to be filed by:

311 1. A single individual where the Virginia adjusted gross income for such taxable year is less than
312 ~~\$3,000 for taxable years beginning before January 1, 1987; and less than \$5,000 for taxable years~~
313 ~~beginning on and after January 1, 1987, through December 31, 2004; and less than \$7,000 for taxable~~
314 ~~years beginning on and after January 1, 2005;~~

315 2. An individual and spouse if their combined Virginia adjusted gross income for such taxable year
316 is less than ~~\$3,000 for taxable years beginning before January 1, 1987; and less than \$8,000 for taxable~~
317 ~~years beginning on and after January 1, 1987, through December 31, 2004; and less than \$14,000 for~~
318 ~~taxable years beginning on and after January 1, 2005~~ (or one-half of such amount in the case of a
319 married individual filing a separate return).

320 For the purposes of this section "Virginia adjusted gross income" means federal adjusted gross
321 income for the taxable years with the modifications specified in § 58.1-322 B, § 58.1-322 C and the
322 additional deductions allowed under § 58.1-322 D 2 b and D 5.

323 B. Persons in the armed forces of the United States stationed on military or naval reservations within
324 Virginia who are not domiciled in Virginia shall not be held liable to income taxation for compensation
325 received from military or naval service.

326 § 58.1-322. Virginia taxable income of residents.

327 A. The Virginia taxable income of a resident individual means his federal adjusted gross income for
328 the taxable year, which excludes combat pay for certain members of the Armed Forces of the United
329 States as provided in § 112 of the Internal Revenue Code, as amended, and with the modifications
330 specified in this section.

331 B. To the extent excluded from federal adjusted gross income, there shall be added:

332 1. Interest, less related expenses to the extent not deducted in determining federal income, on
333 obligations of any state other than Virginia, or of a political subdivision of any such other state unless
334 created by compact or agreement to which Virginia is a party;

335 2. Interest or dividends, less related expenses to the extent not deducted in determining federal
336 taxable income, on obligations or securities of any authority, commission or instrumentality of the
337 United States, which the laws of the United States exempt from federal income tax but not from state
338 income taxes;

339 3. Unrelated business taxable income as defined by § 512 of the Internal Revenue Code;

340 4. The amount of a lump sum distribution from a qualified retirement plan, less the minimum
341 distribution allowance and any amount excludable for federal income tax purposes that is excluded from
342 federal adjusted gross income solely by virtue of an individual's election to use the averaging provisions
343 under § 402 of the Internal Revenue Code; and

344 5. through 8. [Repealed.]

345 9. The amount required to be included in income for the purpose of computing the partial tax on an
346 accumulation distribution pursuant to § 667 of the Internal Revenue Code.

347 C. To the extent included in federal adjusted gross income, there shall be subtracted:

348 1. Income derived from obligations, or on the sale or exchange of obligations, of the United States
349 and on obligations or securities of any authority, commission or instrumentality of the United States to
350 the extent exempt from state income taxes under the laws of the United States including, but not limited
351 to, stocks, bonds, treasury bills, and treasury notes, but not including interest on refunds of federal taxes,
352 interest on equipment purchase contracts, or interest on other normal business transactions.

353 2. Income derived from obligations, or on the sale or exchange of obligations of this Commonwealth
354 or of any political subdivision or instrumentality of this Commonwealth.

355 3. [Repealed.]

356 4. Benefits received under Title II of the Social Security Act and other benefits subject to federal
357 income taxation solely pursuant to § 86 of the Internal Revenue Code.

358 4a. Through December 31, 2000, the same amount used in computing the federal credit allowed
359 under § 22 of the Internal Revenue Code by a retiree under age 65 who qualified for such retirement on
360 the basis of permanent and total disability and who is a qualified individual as defined in § 22 (b) (2) of
361 the Internal Revenue Code; however, any person who claims a deduction under subdivision 5 of
362 subsection D of this section may not also claim a subtraction under this subdivision.

363 4b. For taxable years beginning on or after January 1, 2001, up to \$20,000 of disability income, as
364 defined in § 22 (c) (2) (B) (iii) of the Internal Revenue Code; however, any person who claims a
365 deduction under subdivision 5 of subsection D of this section may not also claim a subtraction under
366 this subdivision.

367 5. The amount of any refund or credit for overpayment of income taxes imposed by the

Commonwealth or any other taxing jurisdiction.

6. The amount of wages or salaries eligible for the federal Targeted Jobs Credit which was not deducted for federal purposes on account of the provisions of § 280C (a) of the Internal Revenue Code.

7, 8. [Repealed.]

9. [Expired.]

10. Any amount included therein less than \$600 from a prize awarded by the State Lottery Department.

11. The wages or salaries received by any person for active and inactive service in the National Guard of the Commonwealth of Virginia, not to exceed the amount of income derived from 39 calendar days of such service or \$3,000, whichever amount is less; however, only those persons in the ranks of O3 and below shall be entitled to the deductions specified herein.

12. Amounts received by an individual, not to exceed \$1,000 in any taxable year, as a reward for information provided to a law-enforcement official or agency, or to a nonprofit corporation created exclusively to assist such law-enforcement official or agency, in the apprehension and conviction of perpetrators of crimes. This provision shall not apply to the following: an individual who is an employee of, or under contract with, a law-enforcement agency, a victim or the perpetrator of the crime for which the reward was paid, or any person who is compensated for the investigation of crimes or accidents.

13. [Repealed.]

14. (Expires for taxable years beginning on and after January 1, 2004) The amount of any qualified agricultural contribution as determined in § 58.1-322.2.

15, 16. [Repealed.]

17. For taxable years beginning on and after January 1, 1995, the amount of "qualified research expenses" or "basic research expenses" eligible for deduction for federal purposes, but which were not deducted, on account of the provisions of § 280C (c) of the Internal Revenue Code and which shall be available to partners, shareholders of S corporations, and members of limited liability companies to the extent and in the same manner as other deductions may pass through to such partners, shareholders, and members.

18. For taxable years beginning on or after January 1, 1995, all military pay and allowances, not otherwise subtracted under this subsection, earned for any month during any part of which such member performed military service in any part of the former Yugoslavia, including the air space above such location or any waters subject to related naval operations, in support of Operation JOINT ENDEAVOR as part of the NATO Peace Keeping Force. Such subtraction shall be available until the taxpayer completes such service.

19. For taxable years beginning on and after January 1, 1996, any income received during the taxable year derived from a qualified pension, profit-sharing, or stock bonus plan as described by § 401 of the Internal Revenue Code, an individual retirement account or annuity established under § 408 of the Internal Revenue Code, a deferred compensation plan as defined by § 457 of the Internal Revenue Code, or any federal government retirement program, the contributions to which were deductible from the taxpayer's federal adjusted gross income, but only to the extent the contributions to such plan or program were subject to taxation under the income tax in another state.

20. For taxable years beginning on and after January 1, 1997, any income attributable to a distribution of benefits or a refund from a prepaid tuition contract or savings trust account with the Virginia College Savings Plan, created pursuant to Chapter 4.9 (§ 23-38.75 et seq.) of Title 23. The subtraction for any income attributable to a refund shall be limited to income attributable to a refund in the event of a beneficiary's death, disability, or receipt of a scholarship.

21. For taxable years beginning on or after January 1, 1998, all military pay and allowances, to the extent included in federal adjusted gross income and not otherwise subtracted, deducted or exempted under this section, earned by military personnel while serving by order of the President of the United States with the consent of Congress in a combat zone or qualified hazardous duty area which is treated as a combat zone for federal tax purposes pursuant to § 112 of the Internal Revenue Code.

22. For taxable years beginning on or after January 1, 2000, the gain derived from the sale or exchange of real property or the sale or exchange of an easement to real property which results in the real property or the easement thereto being devoted to open-space use, as that term is defined in § 58.1-3230, for a period of time not less than 30 years. To the extent a subtraction is taken in accordance with this subdivision, no tax credit under this chapter for donating land for its preservation shall be allowed for three years following the year in which the subtraction is taken.

23. Effective for all taxable years beginning on or after January 1, 2000, \$15,000 of military basic pay for military service personnel on extended active duty for periods in excess of 90 days; however, the subtraction amount shall be reduced dollar-for-dollar by the amount which the taxpayer's military basic pay exceeds \$15,000 and shall be reduced to zero if such military basic pay amount is equal to or exceeds \$30,000.

429 24. Effective for all taxable years beginning on and after January 1, 2000, the first \$15,000 of salary
430 for each federal and state employee whose annual salary is \$15,000 or less.

431 25. Unemployment benefits taxable pursuant to § 85 of the Internal Revenue Code.

432 26. For taxable years beginning on and after January 1, 2001, any amount received as military
433 retirement income by an individual awarded the Congressional Medal of Honor.

434 27. Effective for all taxable years beginning on and after January 1, 1999, income received as a
435 result of (i) the "Master Settlement Agreement," as defined in § 3.1-1106; (ii) the National Tobacco
436 Grower Settlement Trust dated July 19, 1999; and (iii) the Tobacco Loss Assistance Program, pursuant
437 to 7 C.F.R. Part 1464 (Subpart C, §§ 1464.201 through 1464.205), by (a) tobacco farmers; (b) any
438 person holding a tobacco marketing quota, or tobacco farm acreage allotment, under the Agricultural
439 Adjustment Act of 1938; or (c) any person having the right to grow tobacco pursuant to such a quota or
440 allotment, but only to the extent that such income has not been subtracted pursuant to subdivision C 18
441 of § 58.1-402.

442 28. For taxable years beginning on and after January 1, 2000, items of income attributable to,
443 derived from or in any way related to (i) assets stolen from, hidden from or otherwise lost by an
444 individual who was a victim or target of Nazi persecution or (ii) damages, reparations, or other
445 consideration received by a victim or target of Nazi persecution to compensate such individual for
446 performing labor against his will under the threat of death, during World War II and its prelude and
447 direct aftermath. This subtraction shall not apply to assets acquired with such items of income or with
448 the proceeds from the sale of assets stolen from, hidden from or otherwise lost to, during World War II
449 and its prelude and direct aftermath, a victim or target of Nazi persecution. The provisions of this
450 subdivision shall only apply to an individual who was the first recipient of such items of income and
451 who was a victim or target of Nazi persecution, or a spouse, widow, widower, or child or stepchild of
452 such victim.

453 "Victim or target of Nazi persecution" means any individual persecuted or targeted for persecution by
454 the Nazi regime who had assets stolen from, hidden from or otherwise lost as a result of any act or
455 omission in any way relating to (i) the Holocaust; (ii) World War II and its prelude and direct
456 aftermath; (iii) transactions with or actions of the Nazi regime; (iv) treatment of refugees fleeing Nazi
457 persecution; or (v) the holding of such assets by entities or persons in the Swiss Confederation during
458 World War II and its prelude and aftermath. A victim or target of Nazi persecution shall also include
459 any individual forced into labor against his will, under the threat of death, during World War II and its
460 prelude and direct aftermath. As used in this subdivision, "Nazi regime" means the country of Nazi
461 Germany, areas occupied by Nazi Germany, those European countries allied with Nazi Germany, or any
462 other neutral European country or area in Europe under the influence or threat of Nazi invasion.

463 29. For taxable years beginning on and after January 1, 2002, any gain recognized as a result of the
464 Peanut Quota Buyout Program of the Farm Security and Rural Investment Act of 2002 pursuant to 7
465 C.F.R. Part 1412 (Subpart H, §§ 1412.801 through 1412.811) as follows:

466 a. If the payment is received in installment payments pursuant to 7 C.F.R. § 1412.807(a)(2), then the
467 entire gain recognized may be subtracted.

468 b. If the payment is received in a single payment pursuant to 7 C.F.R. § 1412.807(a)(3), then 20
469 percent of the recognized gain may be subtracted. The taxpayer may then deduct an equal amount in
470 each of the four succeeding taxable years.

471 30. Effective for all taxable years beginning on and after January 1, 2002, but before January 1,
472 2005, the indemnification payments received by contract poultry growers and table egg producers from
473 the U.S. Department of Agriculture as a result of the depopulation of poultry flocks because of low
474 pathogenic avian influenza in 2002. In no event shall indemnification payments made to owners of
475 poultry who contract with poultry growers qualify for this subtraction.

476 31. Effective for all taxable years beginning on or after January 1, 2001, the military death gratuity
477 payment made after September 11, 2001, to the survivor of deceased military personnel killed in the line
478 of duty, pursuant to Chapter 75 of Title 10 of the United States Code; however, the subtraction amount
479 shall be reduced dollar-for-dollar by the amount that the survivor may exclude from his federal gross
480 income in accordance with § 134 of the Internal Revenue Code.

481 D. In computing Virginia taxable income there shall be deducted from federal adjusted gross income:

482 1. a. The amount allowable for itemized deductions for federal income tax purposes where the
483 taxpayer has elected for the taxable year to itemize deductions on his federal return, but reduced by the
484 amount of income taxes imposed by the Commonwealth or any other taxing jurisdiction and deducted
485 on such federal return and increased by an amount which, when added to the amount deducted under
486 § 170 of the Internal Revenue Code for mileage, results in a mileage deduction at the state level for
487 such purposes at a rate of 18 cents per mile; or

488 b. Two thousand dollars for taxable years beginning January 1, 1987, through December 31, 1987;
489 \$2,700 for taxable years beginning January 1, 1988, through December 31, 1988; and \$5,000 for
490 married persons (one-half of such amounts in the case of a married individual filing a separate return);

and \$3,000 for single individuals for taxable years beginning on and after January 1, 1989; provided that the taxpayer has not itemized deductions for the taxable year on his federal income tax return. For purposes of this section, any person who may be claimed as a dependent on another taxpayer's return for the taxable year may compute the deduction only with respect to earned income.

2. a. A deduction in the amount of \$700 for taxable years beginning January 1, 1987, through December 31, 1987, and \$800 for taxable years beginning on and after January 1, 1988, through December 31, 2004, and \$1,000 for taxable years beginning on and after January 1, 2005; for each personal exemption allowable to the taxpayer for federal income tax purposes.

b. For taxable years beginning on and after January 1, 1987, each blind or aged taxpayer as defined under § 63 (f) of the Internal Revenue Code shall be entitled to an additional personal exemption in the amount of \$800.

December 31, 1987, for each blind or aged taxpayer as defined under § 63 (f) of the Internal Revenue Code. The additional deduction for blind or aged taxpayers allowed under this subdivision and the additional personal exemption allowed to blind or aged taxpayers under subdivision 2 a of this subsection shall be allowable regardless of whether b. An additional deduction of \$200 for taxable years beginning January 1, 1987, through the taxpayer itemizes deductions for the taxable year for federal income tax purposes.

3. A deduction equal to the amount of employment-related expenses upon which the federal credit is based under § 21 of the Internal Revenue Code for expenses for household and dependent care services necessary for gainful employment.

4. An additional \$1,000 deduction for each child residing for the entire taxable year in a home under permanent foster care placement as defined in § 63.2-908, provided the taxpayer can also claim the child as a personal exemption under § 151 of the Internal Revenue Code.

5. Effective for all taxable years beginning on or after January 1, 1996, a deduction in the amount of \$12,000 for taxpayers age 65 or older, or \$6,000 for taxpayers age 62 through 64.

6. For taxable years beginning on and after January 1, 1997, the amount an individual pays as a fee for an initial screening to become a possible bone marrow donor, if (i) the individual is not reimbursed for such fee or (ii) the individual has not claimed a deduction for the payment of such fee on his federal income tax return.

7. a. A deduction shall be allowed to the purchaser or contributor for the amount paid or contributed during the taxable year for a prepaid tuition contract or savings trust account entered into with the Virginia College Savings Plan, pursuant to Chapter 4.9 (§ 23-38.75 et seq.) of Title 23. Except as provided in subdivision 7 c, the amount deducted on any individual income tax return in any taxable year shall be limited to \$2,000 per prepaid tuition contract or savings trust account. No deduction shall be allowed pursuant to this section if such payments or contributions are deducted on the purchaser's or contributor's federal income tax return. If the purchase price or annual contribution to a savings trust account exceeds \$2,000, the remainder may be carried forward and subtracted in future taxable years until the purchase price or savings trust contribution has been fully deducted; however, except as provided in subdivision 7 c, in no event shall the amount deducted in any taxable year exceed \$2,000 per contract or savings trust account. Notwithstanding the statute of limitations on assessments contained in § 58.1-312, any deduction taken hereunder shall be subject to recapture in the taxable year or years in which distributions or refunds are made for any reason other than (i) to pay qualified higher education expenses, as defined in § 529 of the Internal Revenue Code or (ii) the beneficiary's death, disability, or receipt of a scholarship. For the purposes of this subdivision, the term "purchaser" or "contributor" means the person shown as such on the records of the Virginia College Savings Plan as of December 31 of the taxable year. In the case of a transfer of ownership of a prepaid tuition contract or savings trust account, the transferee shall succeed to the transferor's tax attributes associated with a prepaid tuition contract or savings trust account, including, but not limited to, carryover and recapture of deductions.

b. The amount paid for a prepaid tuition contract during taxable years beginning on or after January 1, 1996, but before January 1, 1998, shall be deducted in taxable years beginning on or after January 1, 1998, and shall be subject to the limitations set out in subdivision 7 a.

c. A purchaser of a prepaid tuition contract or contributor to a savings trust account who has attained age 70 shall not be subject to the limitation that the amount of the deduction not exceed \$2,000 per prepaid tuition contract or savings trust account in any taxable year. Such taxpayer shall be allowed a deduction for the full amount paid for the contract or contributed to a savings trust account, less any amounts previously deducted. If a prepaid tuition contract was purchased by such taxpayer during taxable years beginning on or after January 1, 1996, but before January 1, 1998, such taxpayer may take the deduction for the full amount paid during such years, less any amounts previously deducted with respect to such payments, in taxable year 1999 or by filing an amended return for taxable year 1998.

8. For taxable years beginning on and after January 1, 2000, the total amount an individual actually contributed in funds to the Virginia Public School Construction Grants Program and Fund, established in

Chapter 11.1 (§ 22.1-175.1 et seq.) of Title 22.1, provided the individual has not claimed a deduction for such amount on his federal income tax return.

9. For taxable years beginning on and after January 1, 1999, an amount equal to 20 percent of the tuition costs incurred by an individual employed as a primary or secondary school teacher licensed pursuant to Chapter 15 (§ 22.1-289.1 et seq.) of Title 22.1 to attend continuing teacher education courses that are required as a condition of employment; however, the deduction provided by this subsection shall be available only if (i) the individual is not reimbursed for such tuition costs and (ii) the individual has not claimed a deduction for the payment of such tuition costs on his federal income tax return.

10. For taxable years beginning on and after January 1, 2000, the amount an individual pays annually in premiums for long-term health care insurance, provided the individual has not claimed a deduction for federal income tax purposes.

E. There shall be added to or subtracted from federal adjusted gross income, as the case may be, the individual's share, as beneficiary of an estate or trust, of the Virginia fiduciary adjustment determined under § 58.1-361.

F. There shall be added or subtracted, as the case may be, the amounts provided in § 58.1-315 as transitional modifications.

§ 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.~~

21. (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.~~

43. 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.~~

64. 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.

9. (i) Certified pollution control equipment and facilities as defined in § 58.1-3660, except for any equipment that has not been certified to the Department of Taxation by a state certifying authority pursuant to such section and (ii) effective retroactive to July 1, 1994, and ending July 1, 2006, certified pollution control equipment and facilities as defined in § 58.1-3660 and which, in accordance with such section, have been certified by the Department of Mines, Minerals and Energy for coal, oil and gas production, including gas, natural gas, and coalbed methane gas.

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

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

12. From July 1, 1994, and ending July 1, 2006, raw materials, fuel, power, energy, supplies, machinery or tools or repair parts therefor or replacements thereof, used directly in the drilling, extraction, refining, or processing of natural gas or oil and the reclamation of the well area. For the purposes of this section, the term "natural gas" shall mean "gas," "natural gas," and "coalbed methane gas" as defined in § 45.1-361.1. For the purposes of this section, "drilling," "extraction," "refining," and "processing" shall include production, inspection, testing, dewatering, dehydration, or distillation of raw natural gas into a usable condition consistent with commercial practices, and the gathering and transportation of raw natural gas to a facility wherein the gas is converted into such a usable condition. Machinery, tools and equipment, or repair parts therefor or replacements thereof, shall be exempt if the preponderance of their use is directly in the drilling, extraction, refining, or processing of natural gas or oil for sale or resale, or in well area reclamation activities required by state or federal law.

13. Beginning July 1, 1997, and ending July 1, 2011, (i) the sale, lease, use, storage, consumption, or distribution of an orbital or suborbital space facility, space propulsion system, space vehicle, satellite, or space station of any kind possessing space flight capability, including the components thereof, irrespective of whether such facility, system, vehicle, satellite, or station is returned to this Commonwealth for subsequent use, storage or consumption in any manner when used to conduct spaceport activities; (ii) the sale, lease, use, storage, consumption or distribution of tangible personal property placed on or used aboard any orbital or suborbital space facility, space propulsion system, space vehicle, satellite or space station of any kind, irrespective of whether such tangible personal property is returned to this Commonwealth for subsequent use, storage or consumption in any manner when used to conduct spaceport activities; (iii) fuels of such quality not adapted for use in ordinary vehicles, being produced for, sold and exclusively used for space flight when used to conduct spaceport activities; (iv) the sale, lease, use, storage, consumption or distribution of machinery and equipment purchased, sold, leased, rented or used exclusively for spaceport activities and the sale of goods and services provided to operate and maintain launch facilities, launch equipment, payload processing facilities and payload processing equipment used to conduct spaceport activities.

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

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

§ 58.1-638. Disposition of state sales and use tax revenue; Transportation Trust Fund; localities' share; Game Protection Fund.

A. The Comptroller shall designate a specific revenue code number for all the state sales and use tax revenue collected under the preceding sections of this chapter.

1. The sales and use tax revenue generated by the one-half percent sales and use tax increase enacted by the 1986 Special Session of the General Assembly shall be paid, in the manner hereinafter provided in this section, to the Transportation Trust Fund as defined in § 33.1-23.03:1. Of the funds paid to the Transportation Trust Fund, an aggregate of 4.2 percent shall be set aside as the Commonwealth Port Fund as provided in this section; an aggregate of 2.4 percent shall be set aside as the Commonwealth Airport Fund as provided in this section; and an aggregate of 14.5 percent in fiscal year 1998-1999 and 14.7 percent in fiscal year 1999-2000 and thereafter shall be set aside as the Commonwealth Mass Transit Fund as provided in this section. The Fund's share of such net revenue shall be computed as an estimate of the net revenue to be received into the state treasury each month, and such estimated payment shall be adjusted for the actual net revenue received in the preceding month. All payments shall

be made to the Fund on the last day of each month.

2. There is hereby created in the Department of the Treasury a special nonreverting fund which shall be a part of the Transportation Trust Fund and which shall be known as the Commonwealth Port Fund.

a. The Commonwealth Port Fund shall be established on the books of the Comptroller and the funds remaining in such Fund at the end of a biennium shall not revert to the general fund but shall remain in the Fund. Interest earned on such funds shall remain in the Fund and be credited to it. Funds may be paid to any authority, locality or commission for the purposes hereinafter specified.

b. The amounts allocated pursuant to this section shall be allocated by the Commonwealth Transportation Board to the Board of Commissioners of the Virginia Port Authority to be used to support port capital needs and the preservation of existing capital needs of all ocean, river, or tributary ports within the Commonwealth.

c. Commonwealth Port Fund revenue shall be allocated by the Board of Commissioners to the Virginia Port Authority in order to foster and stimulate the flow of maritime commerce through the ports of Virginia, including but not limited to the ports of Richmond, Hopewell and Alexandria.

3. There is hereby created in the Department of the Treasury a special nonreverting fund which shall be a part of the Transportation Trust Fund and which shall be known as the Commonwealth Airport Fund. The Commonwealth Airport Fund shall be established on the books of the Comptroller and any funds remaining in such Fund at the end of a biennium shall not revert to the general fund but shall remain in the Fund. Interest earned on the funds shall be credited to the Fund. The funds so allocated shall be allocated by the Commonwealth Transportation Board to the Virginia Aviation Board. The funds shall be allocated by the Virginia Aviation Board to any Virginia airport which is owned by the Commonwealth, a governmental subdivision thereof, or a private entity to which the public has access for the purposes enumerated in § 5.1-2.16, or is owned or leased by the Metropolitan Washington Airports Authority (MWAA), as follows:

Any new funds in excess of \$12.1 million which are available for allocation by the Virginia Aviation Board from the Commonwealth Transportation Fund, shall be allocated as follows: sixty percent to MWAA, up to a maximum annual amount of two million dollars, and forty percent to air carrier airports as provided in subdivision A 3 a. Except for adjustments due to changes in enplaned passengers, no air carrier airport sponsor, excluding MWAA, shall receive less funds identified under subdivision A 3 a than it received in fiscal year 1994-1995.

Of the remaining amount:

a. Forty percent of the funds shall be allocated to air carrier airports, except airports owned or leased by MWAA, based upon the percentage of enplanements for each airport to total enplanements at all air carrier airports, except airports owned or leased by MWAA. No air carrier airport sponsor, however, shall receive less than \$50,000 nor more than \$2 million per year from this provision.

b. Forty percent of the funds shall be allocated by the Aviation Board for air carrier and reliever airports on a discretionary basis, except airports owned or leased by MWAA.

c. Twenty percent of the funds shall be allocated by the Aviation Board for general aviation airports on a discretionary basis.

4. There is hereby created in the Department of the Treasury a special nonreverting fund which shall be a part of the Transportation Trust Fund and which shall be known as the Commonwealth Mass Transit Fund.

a. The Commonwealth Mass Transit Fund shall be established on the books of the Comptroller and any funds remaining in such Fund at the end of the biennium shall not revert to the general fund but shall remain in the Fund. Interest earned on such funds shall be credited to the Fund. Funds may be paid to any local governing body, transportation district commission, or public service corporation for the purposes hereinafter specified.

b. The amounts allocated pursuant to this section shall be used to support the public transportation administrative costs and the costs borne by the locality for the purchase of fuels, lubricants, tires and maintenance parts and supplies for public transportation at a state share of eighty percent in 2002 and ninety-five percent in 2003 and succeeding years. These amounts may be used to support up to ninety-five percent of the local or nonfederal share of capital project costs for public transportation and ridesharing equipment, facilities, and associated costs. Capital costs may include debt service payments on local or agency transit bonds. The term "borne by the locality" means the local share eligible for state assistance consisting of costs in excess of the sum of fares and other operating revenues plus federal assistance received by the locality.

c. Commonwealth Mass Transit Fund revenue shall be allocated by the Commonwealth Transportation Board as follows:

(1) Funds for special programs, which shall include ridesharing, experimental transit, and technical assistance, shall not exceed 1.5 percent of the Fund.

(2) The Board may allocate these funds to any locality or planning district commission to finance up to eighty percent of the local share of all costs associated with the development, implementation, and

continuation of ridesharing programs.

(3) Funds allocated for experimental transit projects may be paid to any local governing body, transportation district commission, or public corporation or may be used directly by the Department of Rail and Public Transportation for the following purposes:

(a) To finance up to ninety-five percent of the capital costs related to the development, implementation and promotion of experimental public transportation and ridesharing projects approved by the Board.

(b) To finance up to ninety-five percent of the operating costs of experimental mass transportation and ridesharing projects approved by the Board for a period of time not to exceed twelve months.

(c) To finance up to ninety-five percent of the cost of the development and implementation of any other project designated by the Board where the purpose of such project is to enhance the provision and use of public transportation services.

d. Funds allocated for public transportation promotion and operation studies may be paid to any local governing body, planning district commission, transportation district commission, or public transit corporation, or may be used directly by the Department of Rail and Public Transportation for the following purposes and aid of public transportation services:

(1) At the approval of the Board to finance a program administered by the Department of Rail and Public Transportation designed to promote the use of public transportation and ridesharing throughout Virginia.

(2) To finance up to fifty percent of the local share of public transportation operations planning and technical study projects approved by the Board.

e. At least 73.5 percent of the Fund shall be distributed to each transit property in the same proportion as its operating expenses bear to the total statewide operating expenses and shall be spent for the purposes specified in subdivision 4 b.

f. The remaining twenty-five percent shall be distributed for capital purposes on the basis of ninety-five percent of the nonfederal share for federal projects and ninety-five percent of the total costs for nonfederal projects. In the event that total capital funds available under this subdivision are insufficient to fund the complete list of eligible projects, the funds shall be distributed to each transit property in the same proportion that such capital expenditure bears to the statewide total of capital projects.

g. There is hereby created in the Department of the Treasury a special nonreverting fund known as the Commonwealth Transit Capital Fund. The Commonwealth Transit Capital Fund shall be part of the Commonwealth Mass Transit Fund. The Commonwealth Transit Capital Fund subaccount shall be established on the books of the Comptroller and consist of such moneys as are appropriated to it by the General Assembly and of all donations, gifts, bequests, grants, endowments, and other moneys given, bequeathed, granted, or otherwise made available to the Commonwealth Transit Capital Fund. Any funds remaining in the Commonwealth Transit Capital Fund at the end of the biennium shall not revert to the general fund, but shall remain in the Commonwealth Transit Capital Fund. Interest earned on funds within the Commonwealth Transit Capital Fund shall remain in and be credited to the Commonwealth Transit Capital Fund. Proceeds of the Commonwealth Transit Capital Fund may be paid to any political subdivision, another public entity created by an act of the General Assembly, or a private entity as defined in §56-557 and for purposes as enumerated in subdivision 4e of §33-1-269 or expended by the Department of Rail and Public Transportation for the purposes specified in this subdivision. Revenues of the Commonwealth Transit Capital Fund shall be used to support capital expenditures involving the establishment, improvement, or expansion of public transportation services through specific projects approved by the Commonwealth Transportation Board. Projects financed by the Commonwealth Transit Capital Fund shall receive local, regional or private funding for at least twenty percent of the nonfederal share of the total project cost.

5. Funds for Metro shall be paid by the Northern Virginia Transportation Commission (NVTC) to the Washington Metropolitan Area Transit Authority (WMATA) and be a credit to the Counties of Arlington and Fairfax and the Cities of Alexandria, Falls Church and Fairfax in the following manner:

a. Local obligations for debt service for WMATA rail transit bonds apportioned to each locality using WMATA's capital formula shall be paid first by NVTC. NVTC shall use ninety-five percent state aid for these payments.

b. The remaining funds shall be apportioned to reflect WMATA's allocation formulas by using the related WMATA-allocated subsidies and relative shares of local transit subsidies. Capital costs shall include twenty percent of annual local bus capital expenses. Hold harmless protections and obligations for NVTC's jurisdictions agreed to by NVTC on November 5, 1998, shall remain in effect.

Appropriations from the Commonwealth Mass Transit Fund are intended to provide a stable and reliable source of revenue as defined by Public Law 96-184.

B. The sales and use tax revenue generated by a one percent sales and use tax shall be distributed

798 among the counties and cities of this Commonwealth in the manner provided in subsections C and D.

799 C. The localities' share of the net revenue distributable under this section among the counties and
800 cities shall be apportioned by the Comptroller and distributed among them by warrants of the
801 Comptroller drawn on the Treasurer of Virginia as soon as practicable after the close of each month
802 during which the net revenue was received into the state treasury. The distribution of the localities' share
803 of such net revenue shall be computed with respect to the net revenue received into the state treasury
804 during each month, and such distribution shall be made as soon as practicable after the close of each
805 such month.

806 D. The net revenue so distributable among the counties and cities shall be apportioned and
807 distributed upon the basis as certified to the Comptroller by the Department of Education, of the number
808 of children in each county and city according to the most recent statewide census of school population
809 taken by the Department of Education pursuant to § 22.1-284, as adjusted in the manner hereinafter
810 provided. No special school population census, other than a statewide census, shall be used as the basis
811 of apportionment and distribution except that in any calendar year in which a statewide census is not
812 reported, the Department of Education shall adjust such school population figures by the same percent of
813 annual change in total population estimated for each locality by The Center for Public Service. The
814 revenue so apportionable and distributable is hereby appropriated to the several counties and cities for
815 maintenance, operation, capital outlays, debt and interest payments, or other expenses incurred in the
816 operation of the public schools, which shall be considered as funds raised from local resources. In any
817 county, however, wherein is situated any incorporated town constituting a school division, the county
818 treasurer shall pay into the town treasury for maintenance, operation, capital outlays, debt and interest
819 payments, or other expenses incurred in the operation of the public schools, the proper proportionate
820 amount received by him in the ratio that the school population of such town bears to the school
821 population of the entire county. If the school population of any city or of any town constituting a school
822 division is increased by the annexation of territory since the last preceding school population census,
823 such increase shall, for the purposes of this section, be added to the school population of such city or
824 town as shown by the last such census and a proper reduction made in the school population of the
825 county or counties from which the annexed territory was acquired.

826 E. Beginning July 1, 2000, of the remaining sales and use tax revenue, the revenue generated by a
827 two percent sales and use tax, up to an annual amount of \$13 million, collected from the sales of
828 hunting equipment, auxiliary hunting equipment, fishing equipment, auxiliary fishing equipment,
829 wildlife-watching equipment, and auxiliary wildlife-watching equipment in Virginia, as estimated by the
830 most recent U.S. Department of the Interior, Fish and Wildlife Service and U.S. Department of
831 Commerce, Bureau of the Census National Survey of Fishing, Hunting, and Wildlife-Associated
832 Recreation, shall be paid into the Game Protection Fund established under § 29.1-101 and shall be used,
833 in part, to defray the cost of law enforcement. Not later than thirty days after the close of each quarter,
834 the Comptroller shall transfer to the Game Protection Fund the appropriate amount of collections to be
835 dedicated to such Fund. At any time that the balance in the Capital Improvement Fund, established
836 under § 29.1-101.1, is equal to or in excess of \$35 million, any portion of sales and use tax revenues
837 that would have been transferred to the Game Protection Fund, established under § 29.1-101, in excess
838 of the net operating expenses of the Board, after deduction of other amounts which accrue to the Board
839 and are set aside for the Game Protection Fund, shall remain in the general fund until such time as the
840 balance in the Capital Improvement Fund is less than \$35 million.

841 F. If errors are made in any distribution, or adjustments are otherwise necessary, the errors shall be
842 corrected and adjustments made in the distribution for the next quarter or for subsequent quarters.

843 G. The term "net revenue," as used in this section, means the gross revenue received into the general
844 fund ~~or the Transportation Trust Fund~~ of the state treasury under the preceding sections of this chapter,
845 less refunds to taxpayers.

846 § 58.1-1001. Tax levied; rate.

847 A. 1. In addition to all other taxes now imposed by law, every person within this Commonwealth
848 who sells, stores or receives cigarettes made of tobacco or any substitute thereof, for the purpose of
849 distribution to any person within this Commonwealth, shall pay to this Commonwealth an excise tax of
850 one and one-quarter mills on each such cigarette *sold, stored or received before July 1, 2004; an excise*
851 *tax of 1.25 cents on each such cigarette sold, stored or received on and after July 1, 2004.*

852 B. *The Tax Commissioner shall establish guidelines and rules for the transitional procedures*
853 *regarding the imposition of the increased cigarette tax rate under this section. The guidelines and rules*
854 *issued by the Tax Commissioner regarding the imposition of the increased cigarette tax rate shall be*
855 *exempt from the Administrative Process Act (§ 2.2-4000 et seq.).*

856 § 58.1-2217. Taxes levied; rate.

857 A. There is hereby levied a tax at the rate of ~~seventeen and one-half~~ *twenty-three and one-half* cents
858 per gallon on gasoline and gasohol.

859 B. There is hereby levied a tax at the rate of ~~sixteen~~ *twenty-two* cents per gallon on diesel fuel.

C. Blended fuel that contains gasoline shall be taxed at the rate levied on gasoline. Blended fuel that contains diesel fuel shall be taxed at the rate levied on diesel fuel.

D. There is hereby levied a tax at the rate of five cents per gallon on aviation gasoline. Any person, whether or not licensed under this chapter, who uses, acquires for use, sells or delivers for use in highway vehicles any aviation gasoline shall be liable for the tax at the rate of ~~seventeen and one-half~~ *twenty-three and one-half* cents per gallon, along with any penalties and interest that may accrue.

E. There is hereby levied a tax at the rate of five cents per gallon on aviation jet fuel purchased or acquired for use by a user of aviation fuel other than an aviation consumer. There is hereby levied a tax at the rate of five cents per gallon upon the first 100,000 gallons of aviation jet fuel, excluding bonded aviation jet fuel, purchased or acquired for use by any aviation consumer in any fiscal year. There is hereby levied a tax at the rate of one-half cent per gallon on all aviation jet fuel, excluding bonded aviation jet fuel, purchased or acquired for use by an aviation consumer in excess of 100,000 gallons in any fiscal year. Any person, whether or not licensed under this chapter, who uses, acquires for use, sells or delivers for use in highway vehicles any aviation jet fuel taxable under this chapter shall be liable for the tax imposed at the rate of ~~sixteen~~ *twenty-two* cents per gallon, along with any penalties and interest that may accrue.

F. In accordance with § 62.1-44.34:13, a storage tank fee is imposed on each gallon of gasoline, aviation gasoline, diesel fuel (including dyed diesel fuel), blended fuel, and heating oil sold and delivered or used in the Commonwealth.

§ 58.1-2249. Tax on alternative fuel.

A. There is hereby levied a tax at the rate of ~~sixteen~~ *twenty-two* cents per gallon on liquid alternative fuel used to operate a highway vehicle by means of a vehicle supply tank that stores fuel only for the purpose of supplying fuel to operate the vehicle. There is hereby levied a tax at a rate equivalent to ~~sixteen~~ *twenty-two* cents per gallon on all other alternative fuel used to operate a highway vehicle. The Commissioner shall determine the equivalent rate applicable to such other alternative fuels.

B. In addition to any tax imposed by this article, there is hereby levied an annual license tax of fifty dollars per vehicle on each highway vehicle that is fueled from a private source if the alternative fuels tax levied under this article has not been paid on fuel used in the vehicle. If such a highway vehicle is not in operation by January 1 of any year, the license tax shall be reduced by one-twelfth for each complete month which shall have elapsed since the beginning of such year.

§ 58.1-2289. Disposition of tax revenue generally.

A. Unless otherwise provided in this section, all taxes and fees, including civil penalties, collected by the Commissioner pursuant to this chapter, less a reasonable amount to be allocated for refunds, shall be promptly paid into the state treasury and shall constitute special funds within the Commonwealth Transportation Fund. Any balances remaining in these funds at the end of the year shall be available for use in subsequent years for the purposes set forth in this chapter, and any interest income on such funds shall accrue to these funds. Except as provided in § 33.1-23.03:1, no portion of the revenue derived from taxes collected pursuant to §§ 58.1-2217, 58.1-2249 or § 58.1-2701, and remaining after authorized refunds for nonhighway use of fuel, shall be used for any purpose other than the construction, reconstruction or maintenance of the roads and projects comprising the State Highway System, the Interstate System and the secondary system of state highways and expenditures directly and necessarily required for such purposes, including the retirement of revenue bonds.

Revenues collected under this chapter may be also used for (i) contributions toward the construction, reconstruction or maintenance of streets in cities and towns of such sums as may be provided by law and (ii) expenditures for the operation and maintenance of the Department of Transportation, the Department of Rail and Public Transportation, the Department of Aviation, the Virginia Port Authority, and the Department of Motor Vehicles as may be provided by law.

The Governor is hereby authorized to transfer out of such fund an amount necessary for the inspection of gasoline and motor grease measuring and distributing equipment, and for the inspection and analysis of gasoline for purity.

B. The tax collected on each gallon of aviation fuel sold and delivered or used in this Commonwealth, less refunds, shall be paid into a special fund of the state treasury. Proceeds of this special fund within the Commonwealth Transportation Fund shall be disbursed upon order of the Department of Aviation, on warrants of the Comptroller, to defray the cost of the administration of the laws of this Commonwealth relating to aviation, for the construction, maintenance and improvement of airports and landing fields to which the public now has or which it is proposed shall have access, and for the promotion of aviation in the interest of operators and the public generally.

C. One-half cent of the tax collected on each gallon of fuel on which the refund has been paid at the rate of ~~seventeen~~ *twenty-three* cents per gallon, or in the case of diesel fuel, ~~fifteen and one-half~~ *twenty-one and one-half* cents per gallon, for fuel consumed in tractors and unlicensed equipment used for agricultural purposes shall be paid into a special fund of the state treasury, known as the Virginia

921 Agricultural Foundation Fund, to be disbursed to make certain refunds and defray the costs of the
922 research and educational phases of the agricultural program, including supplemental salary payments to
923 certain employees at Virginia Polytechnic Institute and State University, the Department of Agriculture
924 and Consumer Services and the Virginia Truck and Ornamentals Research Station, including reasonable
925 expenses of the Virginia Agricultural Council.

926 D. One and one-half cents of the tax collected on each gallon of fuel used to propel a commercial
927 watercraft upon which a refund has been paid shall be paid to the credit of the Game Protection Fund of
928 the state treasury to be made available to the Board of Game and Inland Fisheries until expended for the
929 purposes provided generally in subsection C of § 29.1-701, including acquisition, construction,
930 improvement and maintenance of public boating access areas on the public waters of this
931 Commonwealth and for other activities and purposes of direct benefit and interest to the boating public
932 and for no other purpose. However, one and one-half cents per gallon on fuel used by commercial
933 fishing, oystering, clamming, and crabbing boats shall be paid to the Department of Transportation to be
934 used for the construction, repair, improvement and maintenance of the public docks of this
935 Commonwealth used by said commercial watercraft. Any expenditures for the acquisition, construction,
936 improvement and maintenance of the public docks shall be made according to a plan developed by the
937 Virginia Marine Resources Commission.

938 From the tax collected pursuant to the provisions of this chapter from the sales of gasoline used for
939 the propelling of watercraft, after deduction for lawful refunds, there shall be paid into the state treasury
940 for use by the Marine Resources Commission, the Virginia Soil and Water Conservation Board, the
941 State Water Control Board, and the Commonwealth Transportation Board to (i) improve the public
942 docks as specified in this section, (ii) improve commercial and sports fisheries in Virginia's tidal waters,
943 (iii) make environmental improvements including, without limitation, fisheries management and habitat
944 enhancement in the Chesapeake and its tributaries, and (iv) further the purposes set forth in § 33.1-223,
945 a sum as established by the General Assembly.

946 E. Notwithstanding other provisions of this section, there shall be transferred from moneys collected
947 pursuant to this section to a special fund within the Commonwealth Transportation Fund in the state
948 treasury, to be used to meet the necessary expenses of the Department of Motor Vehicles, an amount
949 equal to one percent of a sum to be calculated as follows: the tax revenues collected pursuant to this
950 chapter, at the tax rates in effect on December 31, 1986, less refunds authorized by this chapter and less
951 taxes collected for aviation fuels.

952 § 58.1-2701. Amount of tax.

953 A. Except as provided in subsection B, every motor carrier shall pay a road tax equivalent to
954 ~~nineteen and one-half~~ *twenty-five and one-half* cents per gallon calculated on the amount of motor fuel,
955 diesel fuel or liquefied gases (which would not exist as liquids at a temperature of sixty degrees
956 Fahrenheit and a pressure of 14.7 pounds per square inch absolute), used in its operations within the
957 Commonwealth.

958 The tax imposed by this chapter shall be in addition to all other taxes of whatever character imposed
959 on a motor carrier by any other provision of law.

960 B. In lieu of the tax imposed in subsection A, motor carriers registering qualified highway vehicles
961 that are not registered under the International Registration Plan shall pay a fee of ~~\$100~~ *\$150* per year
962 for each qualified highway vehicle. The fee is due and payable when the vehicle registration fees are
963 paid pursuant to the provisions of Article 7 (§ 46.2-685 et seq.) of Chapter 6 of Title 46.2.

964 If a vehicle becomes a qualified highway vehicle before the end of its registration period, the fee due
965 at the time the vehicle becomes a qualified highway vehicle shall be prorated monthly to the registration
966 expiration month. Fees paid under this subsection shall not be refunded unless a full refund of the
967 registration fee paid is authorized by law.

968 C. All taxes and fees paid under the provisions of this chapter shall be credited to the Highway
969 Maintenance and Operating Fund, a special fund within the Commonwealth Transportation Fund.

970 § 58.1-2706. Credit for payment of motor fuel, diesel fuel or liquefied gases tax.

971 A. Every motor carrier subject to the road tax shall be entitled to a credit on such tax equivalent to
972 ~~sixteen~~ *twenty-two* cents per gallon on all motor fuel, diesel fuel and liquefied gases purchased by such
973 carrier within the Commonwealth for use in its operations either within or without the Commonwealth
974 and upon which the motor fuel, diesel fuel or liquefied gases tax imposed by the laws of the
975 Commonwealth has been paid by such carrier. Evidence of the payment of such tax in such form as
976 may be required by, or is satisfactory to, the Department shall be furnished by each carrier claiming the
977 credit herein allowed.

978 B. When the amount of the credit to which any motor carrier is entitled for any quarter exceeds the
979 amount of the tax for which such carrier is liable for the same quarter, the excess may: (i) be allowed as
980 a credit on the tax for which such carrier would be otherwise liable for any of the eight succeeding
981 quarters or (ii) be refunded, upon application, duly verified and presented and supported by such
982 evidence as may be satisfactory to the Department.

C. The Department may allow a refund upon receipt of proper application and review. It shall be at the discretion of the Department to determine whether an audit is required.

D. The refund may be allowed without a formal hearing if the amount of refund is agreed to by the applicant. Otherwise, a formal hearing on the application shall be held by the Department after notice of not less than ten days to the applicant and the Attorney General.

E. Whenever any refund is ordered it shall be paid out of the Highway Maintenance and Construction Fund.

F. Whenever a person operating under lease to a motor carrier to perform transport services on behalf of the carrier purchases motor fuel, diesel fuel or liquefied gases relating to such services, such payments or purchases may, at the discretion of the Department, be considered payment or purchases by the carrier.

2. That the state individual income tax shall conform to the federal Military Family Relief Act.

3. That the additional revenues generated by this act shall be paid, in the manner hereinafter provided in this section, to the Transportation Trust Fund as defined in § 33.1-23.03:1.

1. Of the funds paid to the Transportation Trust Fund, an aggregate of 4.2 percent shall be set aside as the Commonwealth Port Fund as provided in this section; an aggregate of 2.4 percent shall be set aside as the Commonwealth Airport Fund as provided in this section; and an aggregate of 14.5 percent in fiscal year 1998-1999 and 14.7 percent in fiscal year 1999-2000 and thereafter shall be set aside as the Commonwealth Mass Transit Fund as provided in this section. The Fund's share of such net revenue shall be computed as an estimate of the net revenue to be received into the state treasury each month, and such estimated payment shall be adjusted for the actual net revenue received in the preceding month. All payments shall be made to the Fund on the last day of each month.

2. There is hereby created in the Department of the Treasury a special nonreverting fund which shall be a part of the Transportation Trust Fund and which shall be known as the Commonwealth Port Fund.

a. The Commonwealth Port Fund shall be established on the books of the Comptroller and the funds remaining in such Fund at the end of a biennium shall not revert to the general fund but shall remain in the Fund. Interest earned on such funds shall remain in the Fund and be credited to it. Funds may be paid to any authority, locality or commission for the purposes hereinafter specified.

b. The amounts allocated pursuant to this section shall be allocated by the Commonwealth Transportation Board to the Board of Commissioners of the Virginia Port Authority to be used to support port capital needs and the preservation of existing capital needs of all ocean, river, or tributary ports within the Commonwealth.

c. Commonwealth Port Fund revenue shall be allocated by the Board of Commissioners to the Virginia Port Authority in order to foster and stimulate the flow of maritime commerce through the ports of Virginia, including but not limited to the ports of Richmond, Hopewell and Alexandria.

3. There is hereby created in the Department of the Treasury a special nonreverting fund which shall be part of the Transportation Trust Fund and which shall be known as the Commonwealth Airport Fund. The Commonwealth Airport Fund shall be established on the books of the Comptroller and any funds remaining in such Fund at the end of a biennium shall not revert to the general fund but shall remain in the Fund. Interest earned on the funds shall be credited to the Fund. The funds so allocated shall be allocated by the Commonwealth Transportation Board to the Virginia Aviation Board. The funds shall be allocated by the Virginia Aviation Board to any Virginia airport which is owned by the Commonwealth, a governmental subdivision thereof, or a private entity to which the public has access for the purposes enumerated in § 5.1-2.16, or is owned or leased by the Metropolitan Washington Airports Authority (MWAA), as follows:

Any new funds in excess of \$12.1 million which are available for allocation by the Virginia Aviation Board from the Commonwealth Transportation Fund, shall be allocated as follows: sixty percent to MWAA, up to a maximum annual amount of two million dollars, and forty percent to air carrier airports as provided in subdivision A 3 a. Except for adjustments due to changes in enplaned passengers, no air carrier airport sponsor, excluding MWAA, shall receive less funds identified under subdivision A 3 a than it received in fiscal year 1994-1995.

Of the remaining amount:

a. Forty percent of the funds shall be allocated to air carrier airports, except airports owned or leased by MWAA, based upon the percentage of enplanements for each airport to total enplanements at all air carrier airports, except airports owned or leased by MWAA. No air carrier airport sponsor, however, shall receive less than \$50,000 nor more than \$2 million per year from this provision.

1044 b. Forty percent of the funds shall be allocated by the Aviation Board for air carrier and reliever
1045 airports on a discretionary basis, except airports owned or leased by MWAA.
1046 c. Twenty percent of the funds shall be allocated by the Aviation Board for general aviation
1047 airports on a discretionary basis.
1048 4. There is hereby created in the Department of the Treasury a special nonreverting fund which
1049 shall be a part of the Transportation Trust Fund and which shall be known as the Commonwealth
1050 Mass Transit Fund.
1051 a. The Commonwealth Mass Transit Fund shall be established on the books of the Comptroller
1052 and any funds remaining in such Fund at the end of the biennium shall not revert to the general
1053 fund but shall remain in the Fund. Interest earned on such funds shall be credited to the Fund.
1054 Funds may be paid to any local governing body, transportation district commission, or public
1055 service corporation for the purposes hereinafter specified.
1056 b. The amounts allocated pursuant to this section shall be used to support the public
1057 transportation administrative costs and the costs borne by the locality for the purchase of fuels,
1058 lubricants, tires and maintenance parts and supplies for public transportation at a state share of
1059 eighty percent in 2002 and ninety-five percent in 2003 and succeeding years. These amounts may
1060 be used to support up to ninety-five percent of the local or nonfederal share of capital project
1061 costs for public transportation and ridesharing equipment, facilities, and associated costs. Capital
1062 costs may include debt service payments on local or agency transit bonds. The term "borne by the
1063 locality" means the local share eligible for state assistance consisting of costs in excess of the sum
1064 of fares and other operating revenues plus federal assistance received by the locality.
1065 c. Commonwealth Mass Transit Fund revenue shall be allocated by the Commonwealth
1066 Transportation Board as follows:
1067 (1) Funds for special programs, which shall include ridesharing, experimental transit, and
1068 technical assistance, shall not exceed 1.5 percent of the Fund.
1069 (2) The Board may allocate these funds to any locality or planning district commission to finance
1070 up to eighty percent of the local share of all costs associated with the development,
1071 implementation, and continuation of ridesharing programs.
1072 (3) Funds allocated for experimental transit projects may be paid to any local governing body,
1073 transportation district commission, or public corporation or may be used directly by the
1074 Department of Rail and Public Transportation for the following purposes:
1075 (a) To finance up to ninety-five percent of the capital costs related to the development,
1076 implementation and promotion of experimental public transportation and ridesharing projects
1077 approved by the Board.
1078 (b) To finance up to ninety-five percent of the operating costs of experimental mass transportation
1079 and ridesharing projects approved by the Board for a period of time not to exceed twelve months.
1080 (c) To finance up to ninety-five percent of the cost of the development and implementation of any
1081 other project designated by the Board where the purpose of such project is to enhance the
1082 provision and use of public transportation services.
1083 d. Funds allocated for public transportation promotion and operation studies may be paid to any
1084 local governing body, planning district commission, transportation district commission, or public
1085 transit corporation, or may be used directly by the Department of Rail and Public Transportation
1086 for the following purposes and aid of public transportation services:
1087 (1) At the approval of the Board to finance a program administered by the Department of Rail
1088 and Public Transportation designed to promote the use of public transportation and ridesharing
1089 throughout Virginia.
1090 (2) To finance up to fifty percent of the local share of public transportation operations planning
1091 and technical study projects approved by the Board.
1092 e. At least 73.5 percent of the Fund shall be distributed to each transit property in the same
1093 proportion as its operating expenses bear to the total statewide operating expenses and shall be
1094 spent for the purposes specified in subdivision 4 b.
1095 f. The remaining twenty-five percent shall be distributed for capital purposes on the basis of
1096 ninety-five percent of the nonfederal share for federal projects and ninety-five percent of the total
1097 costs for nonfederal projects. In the event that total capital funds available under this subdivision
1098 are insufficient to fund the complete list of eligible projects, the funds shall be distributed to each
1099 transit property in the same proportion that such capital expenditure bears to the statewide total
1100 of capital projects.
1101 g. There is hereby created in the Department of the Treasury a special nonreverting fund known
1102 as the Commonwealth Transit Capital Fund. The Commonwealth Transit Capital Fund shall be
1103 part of the Commonwealth Mass Transit Fund. The Commonwealth Transit Capital Fund
1104 subaccount shall be established on the books of the Comptroller and consist of such moneys as are
1105 appropriated to it by the General Assembly and of all donations, gifts, bequests, grants,

1106 endowments, and other moneys given, bequeathed, granted, or otherwise made available to the
1107 Commonwealth Transit Capital Fund. Any funds remaining in the Commonwealth Transit Capital
1108 Fund at the end of the biennium shall not revert to the general fund, but shall remain in the
1109 Commonwealth Transit Capital Fund. Interest earned on funds within the Commonwealth Transit
1110 Capital Fund shall remain in and be credited to the Commonwealth Transit Capital Fund.
1111 Proceeds of the Commonwealth Transit Capital Fund may be paid to any political subdivision,
1112 another public entity created by an act of the General Assembly, or a private entity as defined in
1113 § 56-557 and for purposes as enumerated in subdivision 4c of § 33.1-269 or expended by the
1114 Department of Rail and Public Transportation for the purposes specified in this subdivision.
1115 Revenues of the Commonwealth Transit Capital Fund shall be used to support capital
1116 expenditures involving the establishment, improvement, or expansion of public transportation
1117 services through specific projects approved by the Commonwealth Transportation Board. Projects
1118 financed by the Commonwealth Transit Capital Fund shall receive local, regional or private
1119 funding for at least twenty percent of the nonfederal share of the total project cost.
1120 5. Funds for Metro shall be paid by the Northern Virginia Transportation Commission (NVTC) to
1121 the Washington Metropolitan Area Transit Authority (WMATA) and be a credit to the Counties
1122 of Arlington and Fairfax and the Cities of Alexandria, Falls Church and Fairfax in the following
1123 manner:
1124 a. Local obligations for debt service for WMATA rail transit bonds apportioned to each locality
1125 using WMATA's capital formula shall be paid first by NVTC. NVTC shall use ninety-five percent
1126 state aid for these payments.
1127 b. The remaining funds shall be apportioned to reflect WMATA's allocation formulas by using the
1128 related WMATA-allocated subsidies and relative shares of local transit subsidies. Capital costs
1129 shall include twenty percent of annual local bus capital expenses. Hold harmless protections and
1130 obligations for NVTC's jurisdictions agreed to by NVTC on November 5, 1998, shall remain in
1131 effect.
1132 Appropriations from the Commonwealth Mass Transit Fund are intended to provide a stable and
1133 reliable source of revenue as defined by Public Law 96-184.