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SENATE BILL NO. 1142

Offered January 14, 2015

Prefiled January 13, 2015

A *BILL to amend and reenact § 58.1-408 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 58.1-422.2, relating to apportionment of corporate income tax; data processing and hosting companies and specialized telecommunications companies.*

Patron—McDougle

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That § 58.1-408 of the Code of Virginia is amended and reenacted and that the Code of Virginia is amended by adding a section numbered 58.1-422.2 as follows:

§ 58.1-408. What income apportioned and how.

The Virginia taxable income of any corporation, except those subject to the provisions of § 58.1-417, 58.1-418, 58.1-419, 58.1-420, 58.1-422, ~~or~~ 58.1-422.1, *or* 58.1-422.2, excluding income allocable under § 58.1-407, shall be apportioned to the Commonwealth by multiplying such income by a fraction, the numerator of which is the property factor plus the payroll factor, plus twice the sales factor, and the denominator of which is four; however, where the sales factor does not exist, the denominator of the fraction shall be the number of existing factors and where the sales factor exists but the payroll factor or the property factor does not exist, the denominator of the fraction shall be the number of existing factors plus one.

§ 58.1-422.2. Apportionment; data processing and hosting companies and specialized telecommunications companies.

A. For taxable years beginning on or after July 1, 2015, the Virginia taxable income of (i) data processing and hosting companies and (ii) specialized telecommunications companies and, excluding income allocable under § 58.1-407, shall be apportioned within and without the Commonwealth as follows:

1. From July 1, 2015, until July 1, 2016, by multiplying such income by a fraction, the numerator of which is the property factor plus the payroll factor plus quadruple the sales factor and the denominator of which is six, except that when the sales factor does not exist, the denominator of the fraction shall be the number of existing factors, and when the sales factor exists but the payroll factor or property factor does not exist, the denominator of the fraction shall be the number of existing factors plus three; and

2. From July 1, 2016, and thereafter by multiplying such income by the sales factor.

B. As used in this section:

"Data processing and hosting companies" means domestic or foreign corporations primarily engaged in activities that, in accordance with the North American Industry Classification System (NAICS), United States Manual, United States Office of Management and Budget, 2012 Edition, would be included in NAICS Industry 51821, Data Processing, Hosting, and Related Services.

"Specialized telecommunications companies" means domestic or foreign corporations primarily engaged in activities that, in accordance with the North American Industry Classification System (NAICS), United States Manual, United States Office of Management and Budget, 2012 Edition, would be included in NAICS Industry 51791, Other Telecommunications.

INTRODUCED

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