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SENATE BILL NO. 962

Offered January 11, 2017

Prefiled January 3, 2017

A BILL to amend and reenact § 58.1-612 of the Code of Virginia, relating to sales and use tax; nexus to require certain businesses to collect and remit sales and use tax.

Patron—Hanger

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:**1. That § 58.1-612 of the Code of Virginia is amended and reenacted as follows:****§ 58.1-612. Tax collectible from dealers; "dealer" defined; jurisdiction.**

A. The tax levied by §§ 58.1-603 and 58.1-604 shall be collectible from all persons who are dealers, as hereinafter defined, and who have sufficient contact with the Commonwealth to qualify under subsections (i) B and C or (ii) B and D.

B. The term "dealer," as used in this chapter, shall include every person who:

1. Manufactures or produces tangible personal property for sale at retail, for use, consumption, or distribution, or for storage to be used or consumed in this Commonwealth;

2. Imports or causes to be imported into this Commonwealth tangible personal property from any state or foreign country, for sale at retail, for use, consumption, or distribution, or for storage to be used or consumed in this Commonwealth;

3. Sells at retail, or who offers for sale at retail, or who has in his possession for sale at retail, or for use, consumption, or distribution, or for storage to be used or consumed in this Commonwealth, tangible personal property;

4. Has sold at retail, used, consumed, distributed, or stored for use or consumption in this Commonwealth, tangible personal property and who cannot prove that the tax levied by this chapter has been paid on the sale at retail, the use, consumption, distribution, or storage of such tangible personal property;

5. Leases or rents tangible personal property for a consideration, permitting the use or possession of such property without transferring title thereto;

6. Is the lessee or rentee of tangible personal property and who pays to the owner of such property a consideration for the use or possession of such property without acquiring title thereto;

7. As a representative, agent, or solicitor, of an out-of-state principal, solicits, receives and accepts orders from persons in this Commonwealth for future delivery and whose principal refuses to register as a dealer under § 58.1-613; or

8. Becomes liable to and owes this Commonwealth any amount of tax imposed by this chapter, whether he holds, or is required to hold, a certificate of registration under § 58.1-613.

C. A dealer shall be deemed to have sufficient activity within the Commonwealth to require registration under § 58.1-613 if he:

1. Maintains or has within this Commonwealth, directly or through an agent or subsidiary, an office, warehouse, or place of business of any nature;

2. Solicits business in this Commonwealth by employees, independent contractors, agents or other representatives;

3. Advertises in newspapers or other periodicals printed and published within this Commonwealth, on billboards or posters located in this Commonwealth, or through materials distributed in this Commonwealth by means other than the United States mail;

4. Makes regular deliveries of tangible personal property within this Commonwealth by means other than common carrier. A person shall be deemed to be making regular deliveries hereunder if vehicles other than those operated by a common carrier enter this Commonwealth more than 12 times during a calendar year to deliver goods sold by him;

5. Solicits business in this Commonwealth on a continuous, regular, seasonal, or systematic basis by means of advertising that is broadcast or relayed from a transmitter within this Commonwealth or distributed from a location within this Commonwealth;

6. Solicits business in this Commonwealth by mail, if the solicitations are continuous, regular, seasonal, or systematic and if the dealer benefits from any banking, financing, debt collection, or marketing activities occurring in this Commonwealth or benefits from the location in this Commonwealth of authorized installation, servicing, or repair facilities;

7. Is owned or controlled by the same interests which own or control a business located within this

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59 Commonwealth;

60 8. Has a franchisee or licensee operating under the same trade name in this Commonwealth if the
61 franchisee or licensee is required to obtain a certificate of registration under § 58.1-613; or

62 9. Owns tangible personal property that is *for sale located in this Commonwealth, or that is* rented or
63 leased to a consumer in this Commonwealth, or offers tangible personal property, on approval, to
64 consumers in this Commonwealth.

65 D. A dealer is presumed to have sufficient activity within the Commonwealth to require registration
66 under § 58.1-613 (unless the presumption is rebutted as provided herein) if any commonly controlled
67 person maintains a distribution center, warehouse, fulfillment center, office, or similar location within the
68 Commonwealth that facilitates the delivery of tangible personal property sold by the dealer to its
69 customers. The presumption in this subsection may be rebutted by demonstrating that the activities
70 conducted by the commonly controlled person in the Commonwealth are not significantly associated
71 with the dealer's ability to establish or maintain a market in the Commonwealth for the dealer's sales.
72 For purposes of this subsection, a "commonly controlled person" means any person that is a member of
73 the same "controlled group of corporations," as defined in § 1563(a) of the Internal Revenue Code of
74 1954, as amended or renumbered, as the dealer or any other entity that, notwithstanding its form of
75 organization, bears the same ownership relationship to the dealer as a corporation that is a member of
76 the same "controlled group of corporations," as defined in § 1563(a) of the Internal Revenue Code of
77 1954, as amended or renumbered.

78 E. Notwithstanding any other provision of this section, the following shall not be considered to
79 determine whether a person who has contracted with a commercial printer for printing in the
80 Commonwealth is a "dealer" and whether such person has sufficient contact with the Commonwealth to
81 be required to register under § 58.1-613 :

82 1. The ownership or leasing by that person of tangible or intangible property located at the Virginia
83 premises of the commercial printer which is used solely in connection with the printing contract with the
84 person;

85 2. The sale by that person of property of any kind printed at and shipped or distributed from the
86 Virginia premises of the commercial printer;

87 3. Activities in connection with the printing contract with the person performed by or on behalf of
88 that person at the Virginia premises of the commercial printer; and

89 4. Activities in connection with the printing contract with the person performed by the commercial
90 printer within Virginia for or on behalf of that person.

91 F. In addition to the jurisdictional standards contained in subsections C and D, nothing contained
92 herein (other than subsection E) shall limit any authority which this Commonwealth may enjoy under
93 the provisions of federal law or an opinion of the United States Supreme Court to require the collection
94 of sales and use taxes by any dealer who regularly or systematically solicits sales within this
95 Commonwealth. Furthermore, nothing contained in subsection C shall require any broadcaster, printer,
96 outdoor advertising firm, advertising distributor, or publisher which broadcasts, publishes, or displays or
97 distributes paid commercial advertising in this Commonwealth which is intended to be disseminated
98 primarily to consumers located in this Commonwealth to report or impose any liability to pay any tax
99 imposed under this chapter solely because such broadcaster, printer, outdoor advertising firm, advertising
100 distributor, or publisher accepted such advertising contracts from out-of-state advertisers or sellers.

101 G. (Contingent effective date — see note*) Pursuant to any federal legislation that grants states the
102 authority to require remote sellers to collect sales and use tax, the Commonwealth is authorized, as
103 permitted by such federal legislation, to require collection of sales and use tax by any remote seller, or a
104 single or consolidated provider acting on behalf of a remote seller. If the federal legislation has an
105 exemption for sellers whose sales are less than a minimum amount, then in determining such amount,
106 the sales made by all persons related within the meanings of subsections (b) and (c) of § 267 or
107 § 707(b)(1) of the Internal Revenue Code of 1986 shall be aggregated.