

LD3265396

## HOUSE BILL NO. 1512

## AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the Senate Committee on Finance  
on February 14, 1995)

(Patron Prior to Substitute—Delegate Parrish)

*A BILL to amend and reenact §§ 58.1-609.3, 58.1-609.6, 58.1-609.8, and 58.1-609.10 of the Code of Virginia, relating to sales and use tax exemptions.*

**Be it enacted by the General Assembly of Virginia:**

**1. That §§ 58.1-609.3, 58.1-609.6, 58.1-609.8, and 58.1-609.10 of the Code of Virginia are amended and reenacted as follows:**

§ 58.1-609.3. Commercial and industrial exemptions.

The tax imposed by this chapter or pursuant to the authority granted in §§ 58.1-605 and 58.1-606 shall not apply to the following:

1. Personal property purchased by a contractor which is used solely in another state or in a foreign country, which could be purchased by such contractor for such use free from sales tax in such other state or foreign country, and which is stored temporarily in Virginia pending shipment to such state or country.

2. (i) Industrial materials for future processing, manufacturing, refining, or conversion into articles of tangible personal property for resale where such industrial materials either enter into the production of or become a component part of the finished product; (ii) industrial materials that are coated upon or impregnated into the product at any stage of its being processed, manufactured, refined, or converted for resale; (iii) machinery or tools or repair parts therefor or replacements thereof, fuel, power, energy, or supplies, used directly in processing, manufacturing, refining, mining or converting products for sale or resale; (iv) materials, containers, labels, sacks, cans, boxes, drums or bags for future use for packaging tangible personal property for shipment or sale; or (v) equipment, printing or supplies used directly to produce a publication described in subdivision 3 of § 58.1-609.6 whether it is ultimately sold at retail or for resale or distribution at no cost. Machinery, tools and equipment, or repair parts therefor or replacements thereof, shall be exempt if the preponderance of their use is directly in processing, manufacturing, refining, mining or converting products for sale or resale. The provisions of this subsection do not apply to the drilling, extraction, refining, or processing of oil, gas, natural gas and coalbed methane gas.

3. Tangible personal property sold or leased to (i) a public service corporation subject to a state franchise or license tax upon gross receipts, (ii) a telecommunications company as defined in § 58.1-400.1 or (iii) a telephone company chartered in the Commonwealth which is exclusively a local mutual association and is not designated to accumulate profits for the benefit of, or to pay dividends to, the stockholders or members thereof, for use or consumption by such corporation, company, person or mutual association directly in the rendition of its public service; and tangible personal property sold or leased to a public service corporation engaged in business as a common carrier of property or passengers by motor vehicle or railway, for use or consumption by such common carrier directly in the rendition of its public service.

4. Ships or vessels, or repairs and alterations thereof, used or to be used exclusively or principally in interstate or foreign commerce; fuel and supplies for use or consumption aboard ships or vessels plying the high seas, either in intercoastal trade between ports in the Commonwealth and ports in other states of the United States or its territories or possessions, or in foreign commerce between ports in the Commonwealth and ports in foreign countries, when delivered directly to such ships or vessels; or tangible personal property used directly in the building, conversion or repair of the ships or vessels covered by this subdivision.

5. Tangible personal property purchased for use or consumption directly and exclusively in basic research or research and development in the experimental or laboratory sense.

6. Tangible personal property sold or leased to an airline operating in intrastate, interstate or foreign commerce as a common carrier providing scheduled air service, as defined in § 58.1-1501, on a continuing basis to one or more Virginia airports 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; and

60 (ii) *From July 1, 1995, through June 30, 1996, certified pollution control equipment and facilities as*  
61 *defined in § 58.1-3660 and which, in accordance with such section, has been certified by the*  
62 *Department of Mines, Minerals and Energy for coal, oil and gas production, including gas, natural gas,*  
63 *and coalbed methane gas.*

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

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

69 12. From July 1, 1994, through June 30, 1996, raw materials, fuel, power, energy, supplies,  
70 machinery or tools or repair parts therefor or replacements thereof, used directly in the drilling,  
71 extraction, refining, or processing of natural gas or oil and the reclamation of the well area. For the  
72 purposes of this section, the term "natural gas" shall mean "gas," "natural gas," and "coalbed methane  
73 gas" as defined in § 45.1-361.1. For the purposes of this section, "drilling," "extraction," "refining," and  
74 "processing" shall include production, inspection, testing, dewatering, dehydration, or distillation of raw  
75 natural gas into a usable condition consistent with commercial practices, and the gathering and  
76 transportation of raw natural gas to a facility wherein the gas is converted into such a usable condition.  
77 Machinery, tools and equipment, or repair parts therefor or replacements thereof, shall be exempt if the  
78 preponderance of their use is directly in the drilling, extraction, refining, or processing of natural gas or  
79 oil for sale or resale, or in well area reclamation activities required by state or federal law.

80 § 58.1-609.6. Media-related exemptions.

81 The tax imposed by this chapter or pursuant to the authority granted in §§ 58.1-605 and 58.1-606  
82 shall not apply to the following:

83 1. Leasing, renting or licensing of copyright audio or video tapes, and films for public exhibition at  
84 motion picture theaters or by licensed radio and television stations.

85 2. Broadcasting equipment and parts and accessories thereto and towers used or to be used by  
86 commercial radio and television companies, cable television systems, *common carriers or video*  
87 *programmers using a video dialtone platform*, or concerns which are under the regulation and  
88 supervision of the Federal Communications Commission and amplification, transmission and distribution  
89 equipment used or to be used by cable television systems *or video dialtone systems*.

90 3. Any publication issued daily, or regularly at average intervals not exceeding three months, and  
91 advertising supplements and any other printed matter ultimately distributed with or as part of such  
92 publications; however, newsstand sales of the same are taxable.

93 4. Catalogs, letters, brochures, reports, and similar printed materials, except administrative supplies,  
94 the envelopes, containers and labels used for packaging and mailing same, and paper furnished to a  
95 printer for fabrication into such printed materials, when stored for twelve months or less in the  
96 Commonwealth and distributed for use without the Commonwealth. As used in this subdivision,  
97 "administrative supplies" includes, but is not limited to, letterhead, envelopes, and other stationery; and  
98 invoices, billing forms, payroll forms, price lists, time cards, computer cards, and similar supplies.  
99 Notwithstanding the provisions of subdivision 5 of this section or the definition of "advertising"  
100 contained in § 58.1-602, any advertising business located outside the Commonwealth which purchases  
101 printing from a printer within the Commonwealth shall not be deemed the user or consumer of the  
102 printed materials when such purchases would have been exempt under this subdivision.

103 5. Advertising as defined in § 58.1-602.

104 6. *From July 1, 1995, through June 30, 1997,*

105 a. (i) *The lease, rental, license, sale, other transfer, or use of any audio or video tape, film or other*  
106 *audiovisual work where the transferee or user acquires or has acquired the work for the purpose of*  
107 *licensing, distributing, broadcasting, commercially exhibiting or reproducing the work or using or*  
108 *incorporating the work into another such work; (ii) the provision of production services or fabrication*  
109 *in connection with the production of any portion of such audiovisual work, including, but not limited to,*  
110 *scriptwriting, photography, sound, musical composition, special effects, animation, adaptation, dubbing,*  
111 *mixing, editing, cutting and provision of production facilities or equipment; or (iii) the transfer or use of*  
112 *tangible personal property, including, but not limited to, scripts, musical scores, storyboards, artwork,*  
113 *film, tapes and other media, incident to the performance of such services or fabrication; however,*  
114 *audiovisual works and incidental tangible personal property described in clauses a (i) and a (iii) shall*  
115 *be subject to tax as otherwise provided in this chapter to the extent of the value of their tangible*  
116 *components prior to their use in the production of any audiovisual work and prior to their enhancement*  
117 *by any production service; and*

118 b. *Equipment and parts and accessories thereto used or to be used in the production of such*  
119 *audiovisual works.*

120 § 58.1-609.8. Nonprofit civic and community service exemptions.

121 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. Tangible personal property purchased for use or consumption by or sold by a volunteer fire department or volunteer rescue squad, an auxiliary or junior organization of such department or squad not conducted for profit, a nonprofit association of which the regular membership is composed of such volunteer fire departments or volunteer rescue squads, and construction materials to be incorporated into realty when sold to and used by such organization, rather than a contractor, in construction, maintenance, or repair of any property of such organization.

2. Tangible personal property, except property used in any form of recording and reproducing services, purchased by churches organized not for profit and which are exempt from taxation under § 501 (c) (3) of the Internal Revenue Code, or whose real property is exempt from local taxation pursuant to the provisions of § 58.1-3606, for use (i) in religious worship services by a congregation or church membership while meeting together in a single location and (ii) in the libraries, offices, meeting or counseling rooms or other rooms in the public church buildings used in carrying out the work of the church and its related ministries, including kindergarten, elementary and secondary schools. The exemption for such churches shall also include baptistries; bulletins, programs, newspapers and newsletters which do not contain paid advertising and are used in carrying out the work of the church; gifts *including food* for distribution outside the public church building; and food, disposable serving items, cleaning supplies and teaching materials used in the operation of camps or conference centers by the church or an organization composed of churches that are exempt under this subdivision and which are used in carrying out the work of the church or churches.

3. Tangible personal property sold or leased for use in nonprofit nutrition programs for the elderly qualifying under 42 U.S.C. § 3030 (e) through (g), as amended, as administered by the Virginia Department for the Aging, and the food and food products sold under such programs to elderly persons and the food and food products sold by such program participants to disabled or handicapped persons under the age of sixty.

4. Tangible personal property bought, sold or used by Virginia Federation of Humane Societies or any chartered, not-for-profit organization incorporated under the laws of this Commonwealth and organized for the purpose of preventing cruelty to animals and promoting humane care of animals, when such property is used for the operation of such organizations or the construction or maintenance of animal shelters.

5. Tangible personal property withdrawn from inventory and donated to (i) an organization exempt from taxation under § 501 (c) (3) of the Internal Revenue Code or (ii) the Commonwealth, any political subdivision of the Commonwealth, or any school, agency or instrumentality thereof.

6. Tangible personal property purchased by an organization which is exempt from taxation under § 501 (c) (3) of the Internal Revenue Code and which is organized primarily to distribute, during the Christmas season, food, toys, and clothing to persons in financial need, provided such tangible personal property is distributed at no cost to financially needy persons.

7. Tangible personal property, including food and food products, purchased for use or consumption by a residential youth shelter organization exempt from taxation under § 501 (c) (3) of the Internal Revenue Code, provided such organization is organized exclusively for maintaining and operating group homes for the shelter and care of abused and neglected children in the Commonwealth on a long-term or short-term basis.

8. Tangible personal property purchased for use or consumption by an organization exempt from taxation under § 501 (c) (3) of the Internal Revenue Code and organized exclusively for the purpose of providing education, training, services, and assistance in independent living to foster care children and youth without families.

9. Tangible personal property for use or consumption by, sold by or donated to a food bank or organization exempt from taxation pursuant to § 501 (c) (3) of the Internal Revenue Code and organized exclusively for the distribution of foods to infants, the ill, or the needy; the exemptions shall apply to each transaction in the chain of commerce from manufacture to final disposition, provided that such food bank or organization is not conducted for profit.

10. Tangible personal property for use or consumption by a licensed nonprofit adult care residence as defined in § 63.1-172 or a licensed nonprofit adult day-care center as defined in § 63.1-194.1.

11. From July 1, 1989, through June 30, 1998, tangible personal property purchased for use or consumption by or sold by a nonstock, nonprofit charitable organization, exempt from taxation under § 501 (c) (3) of the Internal Revenue Code and from local real estate taxation, which is organized exclusively to foster, sponsor and promote physical education, athletic programs and contests for youths in the Commonwealth.

12. From July 1, 1989, through June 30, 1998, tangible personal property purchased for use or consumption by a shelter for homeless individuals operated by an organization exempt from taxation pursuant to § 501 (c) (3) of the Internal Revenue Code, or tangible personal property purchased for use

183 or consumption by a § 501 (c) (3) organization that is organized exclusively for the purpose of  
184 providing food, shelter, clothing or other items to homeless persons in the Commonwealth.

185 13. From July 1, 1989, through June 30, 1998, tangible personal property purchased for use or  
186 consumption by an organization exempt from taxation under § 501 (c) (3) of the Internal Revenue Code  
187 and organized for the purpose of preparing and publishing a free travel guide for handicapped travelers.

188 14. From July 1, 1989, through June 30, 1998, tangible personal property purchased for use or  
189 consumption, or to be sold at retail, by any nonsectarian youth organization exempt from taxation under  
190 § 501 (c) (3) of the Internal Revenue Code which is organized for the purposes of the character  
191 development and citizenship training of its members using the methods now in common use by Girl  
192 Scout or Boy Scout organizations in Virginia.

193 15. From July 1, 1990, through June 30, 1998, tangible personal property purchased for use or  
194 consumption by a nonprofit organization which under contract with a municipality operates Head Start  
195 programs, extended day-care programs, and a shelter for runaways.

196 16. From July 1, 1990, through June 30, 1998, tangible personal property purchased for use or  
197 consumption by a nonstock, nonprofit charitable corporation exempt from taxation under § 501 (c) (3) of  
198 the Internal Revenue Code and from local property taxes and organized and operated to offer social  
199 services, including, but not limited to, aid or assistance to travelers who, for financial or other reasons,  
200 find themselves stranded or otherwise in distress and in need of temporary assistance (traveler's aid);  
201 family life education; assistance to persons interested in the adoption of children or acting as foster care  
202 parents; counseling to persons in financial need or distress and the provision of services related thereto;  
203 counseling for individuals living with persons afflicted with mental health problems or the mentally  
204 retarded, as well as providing services directly to the mentally ill or mentally retarded; and related social  
205 welfare activities.

206 17. From July 1, 1990, through June 30, 1998, tangible personal property purchased for use or  
207 consumption by a nonstock, nonprofit charitable corporation exempt from taxation under § 501 (c) (3) of  
208 the Internal Revenue Code and organized and operated to offer social services, including, but not limited  
209 to, transitional housing for homeless individuals, employment counseling, placement and referral services  
210 to persons in financial need, health-related assistance, child care for children whose parents are either  
211 employed or enrolled in job training programs, emergency assistance (including the provision of food) to  
212 persons in financial need who may face eviction or termination of utility services, and related social  
213 welfare activities.

214 18. From July 1, 1990, through June 30, 1998, tangible personal property purchased for use or  
215 consumption by a nonprofit organization exempt from taxation pursuant to § 501 (c) (3) of the Internal  
216 Revenue Code and which provides equipment, furniture, motor vehicles, and other types of tangible  
217 personal property to assist mentally retarded or mentally ill citizens of the Commonwealth.

218 19. From July 1, 1991, through June 30, 1998, tangible personal property purchased for use or  
219 consumption by a community action agency as defined in § 2.1-588.

220 20. Effective retroactive to January 1, 1984, and through June 30, 1998, tangible personal property  
221 for use or consumption, or further distribution, or sold by an organization exempt from taxation under  
222 § 501 (c) (3) of the Internal Revenue Code and which is organized and operated exclusively for the  
223 purposes of providing education, training, certification in emergency cardiac care, research, and other  
224 related services to reduce disability and death from cardiovascular diseases and stroke.

225 21. Effective retroactive to January 1, 1984, and through June 30, 1998, tangible personal property  
226 for use or consumption, or further distribution, or sold by an organization exempt from taxation under  
227 § 501 (c) (3) of the Internal Revenue Code and which is organized and operated exclusively for the  
228 purpose of eliminating all lung disease, including asthma, emphysema, lung cancer and pneumonia,  
229 through medical research, public education focusing on disease prevention and education, patient  
230 education including information on coping with lung disease, smoking and air pollution prevention, and  
231 professional education and training.

232 22. Effective retroactive to January 1, 1984, and through June 30, 1998, tangible personal property  
233 for use or consumption, or further distribution, or sold by a statewide organization exempt from taxation  
234 under § 501 (c) (3) of the Internal Revenue Code and which is organized and operated exclusively for  
235 the purpose of eliminating diabetes through medical research, public education focusing on disease  
236 prevention and education, patient education including information on coping with diabetes, and  
237 professional education and training.

238 23. Effective retroactive to January 1, 1984, and through June 30, 1998, tangible personal property  
239 for use or consumption, or further distribution, or sold by an organization exempt from taxation under  
240 § 501 (c) (3) of the Internal Revenue Code which is organized exclusively for the purpose of eliminating  
241 cancer as a major health problem by preventing cancer, saving lives from cancer, and diminishing  
242 suffering from cancer through research, education and service.

243 24. From July 1, 1991, through June 30, 1998, tangible personal property purchased for use or  
244 consumption by a nonprofit organization exempt from taxation under § 501 (c) (3) of the Internal

Revenue Code and organized exclusively for the purpose of promoting and supporting conservation and environmental issues throughout the Commonwealth by encouraging the protection and restoration of waters, wildlife and land; safeguarding the public health by eliminating pollution; nurturing and improving wildlife stocks; promoting the highest standards of sportsmanship and strengthening farmer-sportsmen understanding; and performing other environmental services.

25. From July 1, 1991, through June 30, 1998, tangible personal property purchased for use or consumption by a nonprofit charitable organization which is exempt from taxation under § 501 (c) (3) of the Internal Revenue Code and which is organized exclusively to provide immediate and affordable counseling, and regularly scheduled workshops to address the psychological, educational, and professional concerns of women and their families.

26. From July 1, 1991, through June 30, 1998, tangible personal property purchased for use or consumption by an organization exempt from taxation under § 501 (c) (3) of the Internal Revenue Code and which is organized exclusively to advance the moral character and to promote sportsmanship, team spirit, fair play, honesty, and patriotism among youth by providing and supervising clean and wholesome activities for the youth in Appomattox County who participate in its programs.

27. From July 1, 1991, through June 30, 1998, tangible personal property purchased and sold by a nonprofit organization exempt from taxation under § 501 (c) (3) or (4) of the Internal Revenue Code, organized exclusively to provide aid and assistance to (i) the blind or visually impaired or programs devoted to the prevention of the loss of eyesight; (ii) the deaf or hearing impaired; (iii) drug abuse and drug awareness programs; (iv) diabetes and diabetes detection; and (v) cultural and educational opportunities for the musically talented boys and girls of the Commonwealth, for use in fund-raising activities, provided the net proceeds (gross receipts less expenses) from such sales are contributed directly to or used to fund the charitable purposes for which the organization is organized.

28. From July 1, 1991, through June 30, 1998, tangible personal property purchased for use or consumption in the performance of emergency services by Radio Emergency Associated Communications Teams which are nonprofit organizations that operate and maintain public service communications and provide emergency services to motorists and their local communities.

§ 58.1-609.10. Miscellaneous 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. Artificial or propane gas, firewood, coal or home heating oil used for domestic consumption. "Domestic consumption" means the use of artificial or propane gas, firewood, coal or home heating oil by an individual purchaser for other than business, commercial or industrial purposes. The Tax Commissioner shall establish by regulation a system for use by dealers in classifying individual purchases for domestic or nondomestic use based on the principal usage of such gas, wood, coal or oil. Any person making a nondomestic purchase and paying the tax pursuant to this chapter who uses any portion of such purchase for domestic use may, between the first day of the first month and the fifteenth day of the fourth month following the year of purchase, apply for a refund of the tax paid on the domestic use portion.

2. An occasional sale, as defined in § 58.1-602.

3. Tangible personal property for future use by a person for taxable lease or rental as an established business or part of an established business, or incidental or germane to such business, including a simultaneous purchase and taxable leaseback.

4. Delivery of tangible personal property outside the Commonwealth for use or consumption outside of the Commonwealth. Delivery of goods destined for foreign export to a factor or export agent shall be deemed to be delivery of goods for use or consumption outside of the Commonwealth.

5. Sales of tangible personal property to a nonsectarian youth organization exempt from taxation under § 501 (c) (3) of the Internal Revenue Code and sponsoring a national or international camping assembly within this Commonwealth for seven continuous days or more with attendance in excess of 20,000, which sale of tangible personal property is for use or consumption at such camping assembly.

6. Tangible personal property purchased with food coupons issued by the United States Department of Agriculture under the Food Stamp Program or drafts issued through the Virginia Special Supplemental Food Program for Women, Infants, and Children.

7. From July 1, 1995, through June 30, 1999, tangible personal property purchased for use in the construction of improvements which are to be used solely for affordable rental dwelling units for persons who are of the age of at least 62 years, if at least part of the funds for site development and the construction are provided by an organization exempt from taxation under § 501 (c) (3) of the Internal Revenue Code and if the amount of funds which would otherwise have to be provided by the tax exempt organization is reduced by the amount of the sales and use tax exemption. The rental units shall be considered to be affordable if the rent charged meets the criteria of the Federal Low Income Housing Tax Credit Program.

306 8. From July 1, 1995, through June 30, 1999, tangible personal property donated or sold for  
307 distribution to individuals in the United States who have been victims of a natural disaster which has  
308 been declared a disaster for federal aid purposes by the President of the United States.  
309 9. From July 1, 1995, through June 30, 1999, copies of medical records purchased by an attorney or  
310 his law firm for use in case preparations.