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HOUSE BILL NO. 56

Offered January 10, 1996

A BILL to amend and reenact §§ 58.1-401 and 58.1-2626 of the Code of Virginia, relating to taxes on public service corporations.

Patron—Cranwell

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:**1. That §§ 58.1-401 and 58.1-2626 of the Code of Virginia are amended and reenacted as follows:**

§ 58.1-401. Exemptions and exclusions.

No tax levied pursuant to § 58.1-400 or § 58.1-400.1 is imposed on:

1. A public service corporation to the extent such corporation is subject to the license tax on gross receipts contained in Chapter 26 (§ 58.1-2600 et seq.) of this title; *provided that an electric public utility shall be subject to the income tax imposed by this article on all revenues not included in its gross receipts.*

2. Insurance companies to the extent such company is subject to the license tax on gross premiums under Chapter 25 (§ 58.1-2500 et seq.) of this title and reciprocal or interinsurance exchanges which pay a premium tax to the Commonwealth as provided by law;

3. State and national banks, banking associations and trust companies to the extent such companies are subject to the bank franchise tax on net capital;

3a. Credit unions organized and conducted as such under the laws of the Commonwealth or under the laws of the United States;

4. Electing small business corporations (S corporations);

5. Religious, educational, benevolent and other corporations not organized or conducted for pecuniary profit which by reason of their purposes or activities are exempt from income tax under the laws of the United States, except those organizations which have unrelated business income or other taxable income under such laws;

6. Telephone companies chartered in the Commonwealth which are exclusively a local mutual association and are not designated to accumulate profits for the benefit of, or to pay dividends to, the stockholders or members thereof;

7. A corporation that has contracted with a commercial printer for printing and that is not otherwise taxable shall not become taxable by reason of: (i) the ownership or leasing by that corporation of tangible personal property located at the Virginia premises of the commercial printer and used solely in connection with the printing contract with such person; (ii) the sale by that corporation at another location of property of any kind printed at and shipped or distributed from the Virginia premises of the commercial printer; (iii) the activities in connection with the printing contract with such person of any kind performed by or on behalf of that corporation at the Virginia premises of the commercial printer; and (iv) the activities in connection with the printing contract with such person performed by the commercial printer for or on behalf of that corporation; and

8. Foreign sales corporations (FSC) and any income attributable to an FSC under the rules relating to the taxation of an FSC in Part III, Subpart C of the Internal Revenue Code (§ 921 et seq.) and the regulations thereunder.

§ 58.1-2626. Annual state license tax on companies furnishing water, heat, light or power.

A. Every corporation doing in the Commonwealth the business of furnishing water, heat, light or power, whether by means of electricity, gas or steam, except a pipeline transmission company taxed pursuant to § 58.1-2627.1, shall, for the privilege of doing business within the Commonwealth, pay to the Commonwealth for each tax year an annual license tax equal to one and one-eighth percent of its gross receipts, actually received, from all sources up to \$100,000 of such gross receipts and two and three-tenths percent of all such gross receipts in excess of \$100,000. For the tax year 1989 and thereafter, the license tax shall be an amount equal to two percent.

B. The state license tax provided in subsection A shall be (i) in lieu of all other state license or franchise taxes on such corporation, and (ii) in lieu of any tax upon the shares of stock issued by it.

C. Nothing herein contained shall exempt such corporation from motor vehicle license taxes, motor vehicle fuel taxes, fees required by § 13.1-775.1 or from assessments for street and other local improvements, which shall be authorized by law, nor from the county, city, town, district or road levies.

D. Nothing herein contained shall annul or interfere with any contract or agreement by ordinance between such corporations and cities and towns as to compensation for the use of the streets or alleys

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60 by such corporations.

61 *E. With respect to an electric public utility, on all revenues not included in its gross receipts*
62 *pursuant to subsection A and § 58.1-2600, the electric public utility shall pay to the Commonwealth the*
63 *income tax imposed by Chapter 3 (§ 58.1-300 et seq.) of this title.*