

992604755

SENATE BILL NO. 1286

Offered January 21, 1999

A *BILL to amend and reenact §§ 58.1-401, 58.1-402, 58.1-439.2, 58.1-504, 58.1-2600 through 58.1-2604, 58.1-2606, 58.1-2609, 58.1-2610, 58.1-2611, 58.1-2626, 58.1-2627, 58.1-2628, 58.1-2633, 58.1-2660, 58.1-2682, 58.1-3731 and 58.1-3814 of the Code of Virginia and to amend the Code of Virginia by adding sections numbered 58.1-400.2, 58.1-433.1, and 58.1-440.1 and by adding a chapter numbered 29, consisting of sections numbered 58.1-2900 through 58.1-2903, relating to electric utility taxation.*

Patrons—Watkins, Holland, Norment and Stolle; Delegate: Cantor

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-401, 58.1-402, 58.1-439.2, 58.1-504, 58.1-2600 through 58.1-2604, 58.1-2606, 58.1-2609, 58.1-2610, 58.1-2611, 58.1-2626, 58.1-2627, 58.1-2628, 58.1-2633, 58.1-2660, 58.1-2682, 58.1-3731 and 58.1-3814 of the Code of Virginia are amended and reenacted and that the Code of Virginia is amended by adding sections numbered 58.1-400.2, 58.1-433.1, and 58.1-440.1 and by adding a chapter numbered 29, consisting of sections numbered 58.1-2900 through 58.1-2903, as follows:

§ 58.1-400.2. Taxation of electric suppliers.

A. Any electric supplier that is subject to income tax pursuant to the Internal Revenue Code of 1986, as amended, except those organized as cooperatives and exempt from federal taxation under § 501 of the Internal Revenue Code of 1986, as amended, shall be subject to the tax levied pursuant to § 58.1-400.

B. Any electric supplier that operates as a cooperative and is exempt from income tax pursuant to § 501 of the Internal Revenue Code of 1986, shall be subject to tax at the tax rate set forth in § 58.1-400 on all modified net income derived from nonmember sales.

C. The following words and terms, when used in this section, shall have the following meanings:

"Electricity" is deemed tangible personal property for purposes of the corporate income tax pursuant to Article 10 (§ 58.1-400 et seq.) of this chapter.

"Electric supplier" means any corporation, cooperative, partnership or other business entity providing wholesale electric service.

"Members" means those customers of a cooperative who receive allocations of patronage capital from a cooperative.

"Modified net income" means all revenue of a cooperative from the sale of electricity within the Commonwealth with the following subtractions:

1. Revenue attributable to sales of electric power to its members.

2. Nonmember share of all ordinary and necessary expenses paid or incurred during the taxable year in carrying on the sale of electric power to nonmembers. Such nonmember expenses shall be determined by allocating the amount of such expenses between sales of electricity to members and sales of electricity to nonmembers. Such allocation shall be applicable to all tax credits available to an electric supplier.

"Nonmember" means those customers which are not members.

"Ordinary and necessary expenses paid or incurred" means ordinary and necessary expenses determined according to generally accepted accounting principles.

D. The Department of Taxation shall promulgate all regulations necessary to implement the intent of this section. This section shall apply to tax years beginning on and after January 1, 2001.

§ 58.1-401. Exemptions and exclusions.

No tax levied pursuant to §§ 58.1-400 ~~or~~ § 58.1-400.1 or § 58.1-400.2 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;

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;

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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, *except as provided in § 58.1-400.2*;

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.

§ 58.1-402. Virginia taxable income.

A. For purposes of this article, Virginia taxable income for a taxable year means the federal taxable income and any other income taxable to the corporation under federal law for such year of a corporation adjusted as provided in subsections B, C and D.

For a regulated investment company and a real estate investment trust, such term shall mean the "investment company taxable income" and "real estate investment trust taxable income," respectively, to which shall be added in each case any amount of capital gains and any other income taxable to the corporation under federal law which shall be further adjusted as provided in subsections B, C and D.

B. There shall be added to the extent excluded from federal taxable income:

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

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

3. [Repealed.]

4. The amount of any net income taxes and other taxes, including franchise and excise taxes, which are based on, measured by, or computed with reference to net income, imposed by the Commonwealth or any other taxing jurisdiction, to the extent deducted in determining federal taxable income;

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

6. The amount of employee stock ownership credit carry-over deducted by the corporation in computing federal taxable income under § 404 (i) of the Internal Revenue Code;

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

C. There shall be subtracted to the extent included in and not otherwise subtracted from federal taxable income:

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

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

3. Dividends upon stock in any domestic international sales corporation, as defined by § 992 of the Internal Revenue Code, fifty percent or more of the income of which was assessable for the preceding year, or the last year in which such corporation has income, under the provisions of the income tax laws of the Commonwealth.

4. The amount of any refund or credit for overpayment of income taxes imposed by this Commonwealth or any other taxing jurisdiction.

5. Any amount included therein by the operation of the provisions of § 78 of the Internal Revenue Code (foreign dividend gross-up).

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 § 280 C (a) of the Internal Revenue Code.

7. Any amount included therein by the operation of § 951 of the Internal Revenue Code (subpart F income).

8. Any amount included therein which is foreign source income as defined in § 58.1-302.

9. For taxable years beginning after December 31, 1983, the available portion of total excess cost recovery as defined in former § 58.1-323 B and for taxable years beginning after December 31, 1987, the excess cost recovery amount specified in § 58.1-323.1 C.

10. The amount of any dividends received from corporations in which the taxpaying corporation owns fifty percent or more of the voting stock.

11. [Repealed.]

12. [Expired.]

13. (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.

14. For taxable years beginning on or after January 1, 1995, the amount for "qualified research expenses" or "basic research expenses" eligible for deduction for federal purposes, but which were not deducted, on account of the provisions of § 280 C (c) of the Internal Revenue Code.

15. For taxable years beginning on or after January 1, 2000, the total amount 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.

16. *For taxable years beginning on and after January 1, 2001, any amount included therein with respect to § 58.1-440.1.*

D. Adjustments to federal taxable income shall be made to reflect the transitional modifications provided in § 58.1-315.

§ 58.1-433.1 Virginia Coal Employment and Production Incentive Tax Credit.

For tax years beginning on and after January 1, 2001, every electric supplier, as defined in § 58.1-400.2, in the Commonwealth shall be allowed a three-dollar-per-ton credit against the tax imposed by § 58.1-400.2, for each ton of coal purchased by such electric supplier, provided such coal was mined in Virginia as certified by such seller. Notwithstanding any other provision of law, no electric supplier shall be allowed more than a three-dollar-per-ton coal tax credit and shall be subject to all limitations set forth in § 58.1-400.2.

§ 58.1-439.2. Coalfield employment enhancement tax credit.

A. For tax years beginning on and after January 1, 1996, but before January 1, 2002, any person who has an economic interest in coal mined in the Commonwealth shall be allowed a credit against the tax imposed by § 58.1-400 and any other tax imposed by the Commonwealth in accordance with the following:

1. For coal mined by underground methods, the credit amount shall be based on the seam thickness as follows:

Seam Thickness	Credit per Ton
36" and under	\$2.00
Above 36"	\$1.00

The seam thickness shall be based on the weighted average isopach mapping of actual coal thickness by mine as certified by a professional engineer. Copies of such certification shall be maintained by the person qualifying for the credit under this section for a period of three years after the credit is applied for and received and shall be available for inspection by the Department of Taxation. The Department of Mines, Minerals and Energy is hereby authorized to audit all information upon which the isopach mapping is based.

2. For coal mined by surface mining methods, a credit in the amount of forty cents per ton for coal sold in 1996, and each year thereafter.

B. In addition to the credit allowed in subsection A, for tax years beginning on and after January 1, 1996, any person who is a producer of coalbed methane shall be allowed a credit in the amount of one cent per million BTUs of coalbed methane produced in the Commonwealth against the tax imposed by § 58.1-400 and any other tax imposed by the Commonwealth on such person.

C. For purposes of this section, economic interest is the same as the economic ownership interest required by § 611 of the Internal Revenue Code which was in effect on December 31, 1977. A party who only receives an arm's length royalty shall not be considered as having an economic interest in coal mined in the Commonwealth.

D. If the credit exceeds the person's state tax liability for the tax year, the excess shall be redeemable

183 by the Tax Commissioner on behalf of the Commonwealth for ninety percent of the face value within
184 ninety days after filing the return. The remaining ten percent of the value of the credit being redeemed
185 shall be deposited by the Commissioner in a regional economic development fund administered by the
186 Coalfields Economic Development Authority to be used for regional economic diversification in
187 accordance with guidelines developed by the Coalfields Economic Development Authority and the
188 Virginia Economic Development Partnership.

189 E. No person may utilize more than one of the credits on a given ton of coal described in subsection
190 A. No person may claim a credit pursuant to this section for any ton of coal for which a credit has been
191 claimed under §§ 58.1-433, 58.1-433.1 or § 58.1-2626.1. Persons who qualify for the credit may not
192 apply such credit to their tax returns prior to January 1, 1999, and only one year of credits shall be
193 allowed annually beginning in 1999.

194 F. The amount of credit allowed pursuant to subsection A shall be the amount of credit earned
195 multiplied by the person's employment factor. The person's employment factor shall be the percentage
196 obtained by dividing the total number of coal mining jobs of the person filing the return, including the
197 jobs of the contract operators of such person, as reflected in the annual tonnage reports filed with the
198 Department of Mines, Minerals and Energy for the year in which the credit was earned by the total
199 number of coal mining jobs of such persons or operators as reflected in the annual tonnage reports for
200 the year immediately prior to the year in which the credit was earned. In no case shall the credit
201 claimed exceed that amount set forth in subsection A.

202 G. The tax credit allowed under this section shall be claimed according to the following schedule:

203 1. 50% of the credit allowed in tax year 1996 shall be claimed in tax year 1999 and the remainder in
204 tax year 2005.

205 2. 50% of the credit allowed in tax year 1997 shall be claimed in tax year 2000 and the remainder in
206 tax year 2006.

207 3. 75% of the credit allowed in tax year 1998 shall be claimed in tax year 2001 and the remainder in
208 tax year 2007.

209 4. 75% of the credit allowed in tax year 1999 shall be claimed in tax year 2002 and the remainder in
210 tax year 2008.

211 5. 100% of the credit allowed in tax year 2000 shall be claimed in tax year 2003.

212 6. 100% of the credit allowed in tax year 2001 shall be claimed in tax year 2004.

213 § 58.1-440.1. *Accounting-deferred taxes.*

214 *In the case of an electric supplier, as defined in § 58.1-400.2, that was subject to the tax imposed*
215 *under § 58.1-2626 with respect to its gross receipts received during the year commencing January 1,*
216 *2000, and on and after January 1, 2001, becomes subject to the corporate income tax pursuant to*
217 *Article 10 (§ 58.1-400 et seq.) of this chapter, net income shall be computed by taking into account the*
218 *following adjustments:*

219 *In addition to the deductions for depreciation, amortization, or other cost recovery currently allowed*
220 *by this Code, there shall be allowed deductions for the amortization of the Virginia tax basis of assets*
221 *that are recoverable for financial accounting and/or income tax purposes placed in service prior to the*
222 *adjustment date. For purposes of this section, (i) "Virginia tax basis" means the aggregate adjusted*
223 *book basis less the aggregate adjusted tax basis of such assets as recorded on the company's books of*
224 *accounts as of the last day of the tax year immediately preceding the adjustment date and (ii)*
225 *"adjustment date" means the first day of the tax year in which such electric supplier becomes subject to*
226 *the tax imposed by § 58.1-400.2 A. The amortization of the Virginia tax basis shall be computed using*
227 *the straight-line method over a period of thirty years, beginning on the adjustment date. Gain or loss on*
228 *the disposition or retirement of any such asset shall be computed using its adjusted federal tax basis,*
229 *and the amortization of the Virginia tax basis shall continue thereafter without adjustment. The*
230 *Department of Taxation shall promulgate regulations describing a reasonable method of allocating the*
231 *Virginia tax basis in the event that a portion of the electric power supplier's operations are separated,*
232 *spun-off, transferred to a separate company or otherwise disaggregated.*

233 § 58.1-504. Failure to pay estimated income tax.

234 A. In case of any underpayment of estimated tax by a corporation, except as provided in subsection
235 D, there shall be added to the tax for the taxable year an amount determined at the rate established for
236 interest under § 58.1-15, upon the amount of the underpayment (determined under subsection B) for the
237 period of the underpayment (determined under subsection C).

238 B. For purposes of subsection A, the amount of the underpayment shall be the excess of:

239 1. The amount of the installment which would be required to be paid if the estimated tax were equal
240 to ninety percent of the tax shown on the return for the taxable year or, if no return was filed, ninety
241 percent of the tax for such year, over

242 2. The amount, if any, of the installment paid on or before the last date prescribed for payment.

243 C. The period of the underpayment shall run from the date the installment was required to be paid to
244 whichever of the following dates is the earlier:

1. The fifteenth day of the fourth month following the close of the taxable year.

2. With respect to any portion of the underpayment, the date on which such portion is paid. For purposes of this paragraph subdivision, a payment of estimated tax on any installment date shall be considered a payment of any previous underpayment only to the extent such payment exceeds the amount of the installment determined under subdivision B 1 for such installment date.

D. Notwithstanding the provisions of subsections A, B and C, the addition to the tax with respect to any underpayment of any installment shall not be imposed if the total amount of all payments of estimated tax made on or before the last date prescribed for the payment of such installment equals or exceeds the amount which would have been required to be paid on or before such date if the estimated tax were whichever of the following is the lesser:

1. The tax shown on the return of the corporation for the preceding taxable year, if a return showing a liability for tax was filed by the corporation for the preceding taxable year and such preceding year was a taxable year of twelve months.

2. An amount equal to the tax computed at the rate applicable to the taxable year but otherwise on the basis of the facts shown on the return of the corporation for, and the law applicable to, the preceding taxable year.

3. An amount equal to ninety percent of the tax for the taxable year computed by placing on an annualized basis the taxable income:

a. For the first three months of the taxable year, in the case of the installment required to be paid in the fourth month,

b. For the first three months or for the first five months of the taxable year, in the case of the installment required to be paid in the sixth month,

c. For the first six months or for the first eight months of the taxable year, in the case of the installment required to be paid in the ninth month, and

d. For the first nine months or for the first eleven months of the taxable year, in the case of the installment required to be paid in the twelfth month of the taxable year. For purposes of this subdivision, the taxable income shall be placed on an annualized basis by (i) multiplying by twelve the taxable income referred to in subdivision D 3, and (ii) dividing the resulting amount by the number of months in the taxable year (three, five, six, eight, nine, or eleven, as the case may be) referred to in subsection A.

E. For purposes of subsection B, subdivision D 2 and D 3, the term "tax" means the excess of the tax imposed by this chapter over the sum of any credits allowable against the tax.

F. The application of this to taxable years of less than twelve months shall be in accordance with regulations prescribed by the Commissioner.

G. Electric suppliers as defined in § 58.1-400.2 that become subject to taxation under this chapter and prior thereto paid the annual license tax based on gross receipts, shall make estimated tax payments during the first year they are so subject, and notwithstanding subsection D, any excesses described in subsection B shall constitute an underpayment for such year.

§ 58.1-2600. Definitions.

A. As used in this chapter:

"Certificated motor vehicle carrier" means a common carrier by motor vehicle, as defined in § 46.2-2000, operating over regular routes under a certificate of public convenience and necessity issued by the Commission or issued on or after July 1, 1995, by the Department of Motor Vehicles. A transit company or bus company that is owned or operated directly or indirectly by a political subdivision of this Commonwealth shall not be deemed a "certificated motor vehicle carrier" for the purposes of this chapter and shall not be subject to the imposition of the tax imposed in § 58.1-2652, nor shall such transit company or bus company thereby be subject to the imposition of local property levies. A common carrier of property by motor vehicle shall not be deemed a "certificated motor vehicle carrier" for the purposes of this chapter and shall not be subject to the imposition of the tax imposed in § 58.1-2652, but shall be subject to the imposition of local property taxes.

(Effective until December 31, 2001) "Cogenerator" means a qualifying cogenerator or qualifying small power producer within the meaning of regulations adopted by the Federal Energy Regulatory Commission in implementation of the Public Utility Regulatory Policies Act of 1978 (P.L. 95-617).

"Commission" means the State Corporation Commission which is hereby designated pursuant to Article X, Section 2 of the Constitution of Virginia as the central state agency responsible for the assessment of the real and personal property of all public service corporations, except those public service corporations for which the Department of Taxation is so designated, upon which the Commonwealth levies a license tax measured by the gross receipts of such corporations. The State Corporation Commission shall also assess the property of each telephone or telegraph company, every public service corporation in the Commonwealth in the business of furnishing heat, light and power by means of electricity, and each electric supplier, as provided by this chapter.

306 "Department" means the Department of Taxation which is hereby designated pursuant to Article X,
307 Section 2 of the Constitution of Virginia as the central state agency to assess the real and personal
308 property of railroads and pipeline transmission companies as defined herein.

309 "*Electric supplier*" means any person owning or operating facilities for the generation, transmission
310 or distribution of electricity for sales, except any person owning or operating solar, wind or
311 hydroelectric facilities with a designed generation capacity of less than twenty-five megawatts.

312 "Estimated tax" means the amount of tax which a taxpayer estimates as being imposed by Article 2
313 (§ 58.1-2620 et seq.) of this chapter for the tax year as measured by the gross receipts received in the
314 taxable year.

315 "Freight car company" includes every car trust, mercantile or other company or person not domiciled
316 in this Commonwealth owning stock cars, furniture cars, fruit cars, tank cars or other similar cars. Such
317 term shall not include a company operating a line as a railroad.

318 "Gross receipts" means the total of all revenue derived in the Commonwealth, including but not
319 limited to; income from the provision or performance of a service or the performance of incidental
320 operations not necessarily associated with the particular service performed, without deductions for
321 expenses or other adjustments. Such term shall not, however, include interest, dividends, investment
322 income or receipts from the sale of real property or other assets except inventory of goods held for sale
323 or resale.

324 "Pipeline distribution company" means a corporation, other than a pipeline transmission company,
325 which transmits, by means of a pipeline, natural gas, manufactured gas or crude petroleum and the
326 products or by-products thereof to a purchaser for purposes of furnishing heat or light.

327 "Pipeline transmission company" means a corporation authorized to transmit natural gas,
328 manufactured gas or crude petroleum and the products or by-products thereof in the public service by
329 means of a pipeline or pipelines from one point to another when such gas or petroleum is not for sale to
330 an ultimate consumer for purposes of furnishing heat or light.

331 "Tax Commissioner" means the chief executive officer of the Department of Taxation or his
332 designee.

333 "Tax year" means the twelve-month period beginning on January 1 and ending on December 31 of
334 the same calendar year, such year also being the tax assessment year or the year in which the tax levied
335 under this chapter shall be paid.

336 "Taxable year" means the calendar year preceding the tax year, upon which the gross receipts are
337 computed as a basis for the payment of the tax levied pursuant to this chapter.

338 "Telegraph company" means a corporation or person operating the apparatus necessary to
339 communicate by telegraph.

340 "Telephone company" means a person holding a certificate of convenience and necessity granted by
341 the State Corporation Commission authorizing telephone service; or a person authorized by the Federal
342 Communications Commission to provide commercial mobile service as defined in § 332(d) (1) of the
343 Communications Act of 1934, as amended, where such service includes cellular mobile radio
344 communications services or broadband personal communications services; or a person holding a
345 certificate issued pursuant to § 214 of the Communications Act of 1934, as amended, authorizing
346 domestic telephone service and belonging to an affiliated group including a person holding a certificate
347 of convenience and necessity granted by the State Corporation Commission authorizing telephone
348 service. The term "affiliated group" shall have the meaning given in § 58.1-3700.1.

349 B. For purposes of this chapter the terms "license tax" and "franchise tax" shall be synonymous.

350 § 58.1-2601. Boundaries of certain political units to be furnished company, Commission and
351 Department.

352 A. The commissioner of the revenue in each county and city in which a public service corporation *or*
353 *other person with property assessed pursuant to this chapter* does business or owns property shall
354 furnish, on or before January 1 in each year, to each such corporation *or person*, the boundaries of each
355 city and the magisterial district of the county and of each town therein in which any part of the property
356 of such corporation *or person* is situated. A copy of such boundaries shall also be forwarded to the clerk
357 of the Commission and the Tax Commissioner.

358 B. Whenever any commissioner of the revenue shall fail to furnish to such corporation *or other*
359 *person*, the clerk of the Commission and the Tax Commissioner, such boundaries required in subsection
360 A, the clerk of the Commission and the Tax Commissioner shall notify the judge of the circuit court of
361 the county and city of such commissioner of the revenue, and the judge shall instruct the grand jury at
362 the next term of the circuit court to ascertain whether such boundaries have been furnished as required
363 in this section. Should the grand jury ascertain that such boundaries have not been furnished, they shall
364 find an indictment against the commissioner of the revenue. Upon conviction thereof, such commissioner
365 of the revenue shall be guilty of a Class 4 misdemeanor, each magisterial district and town boundary so
366 omitted being a separate offense.

367 C. Notwithstanding the provisions of subsection A, whenever the boundaries have once been

furnished to any public service ~~company~~ *corporation or other person with property assessed pursuant to this chapter*, the Commission and the Tax Commissioner, the commissioner of the revenue shall thereafter not be required to furnish the boundaries except as shall be necessary to show subsequent changes in such boundaries.

§ 58.1-2602. Local authorities to examine assessments and inform Department or Commission whether correct.

The governing body of each county, city and town, receiving a copy of any assessment made by the Commission or the Department against property of a public service corporation *or other person with property assessed pursuant to this chapter* located in such county, city or town, shall forthwith review such assessments and determine whether they are accurate and notify the clerk of the Commission or the Department of any corrections thereto. Such governing bodies at their own expense may, when there is reason to doubt the correctness of the assessed length of any line, retain any surveyor in order to verify the assessment of the Commission or the Department.

§ 58.1-2603. Local levies to be extended by commissioners of revenue; copies; forms.

All county, district and city levies on the property of public service corporations *or other persons with property assessed pursuant to this chapter* shall be extended by the commissioner of the revenue for the county or city, and a copy of such extensions shall be certified and transmitted by the commissioner of the revenue to the treasurer of his county or city for collection. In each city which has a collector of city taxes, such copy shall be certified and transmitted to such collector of city taxes. Forms for use by the commissioners of the revenue under this section shall be prescribed and furnished by the Department.

§ 58.1-2604. Assessed valuation.

A. Except as otherwise provided in § ~~58.1-2608~~, ~~any increase in 58.1-2707~~ the *equalized* assessed valuation of ~~the property of~~ any public service corporation ~~property or other person with property assessed pursuant to this chapter~~ in any taxing district shall be made by application of the local assessment ratio prevailing in such taxing district for other real estate as most recently determined and published by the Department of Taxation. ~~On January 1, 1967, one-twentieth, and on each subsequent January 1 for nineteen years an additional one-twentieth, of the assessed valuation on January 1, 1966, (reduced by forty percent of the value of the amount, if any, by which total retirements since January 1, 1966, exceed total additions since that date), shall be assessed by application of the local assessment ratio as provided above, and the remainder shall continue to be assessed by application of the forty percent assessment ratio as heretofore administered. Thereafter the whole shall be assessed by application of the local assessment ratio as provided above.~~

B. All public service corporation property in the process of equalization over a twenty-year period as provided in subsection A is hereby defined as a separate item of taxation and shall be identified as a separate category of property for local taxation. Such property in the process of equalization shall, for such period as provided for in subsection A, continue to be assessed at forty percent of the fair market value.

C. On request of any local taxing district in connection with any reassessment of property, representatives of the State Corporation Commission and the Department shall consult with representatives of the district with regard to ascertainment and equalization of values to help assure uniformity of appraisals and assessments in accordance with the provisions of this section.

D. The Department of Taxation shall furnish to each county, city or town in which ~~a the property of public service corporation's property~~ *corporations or other persons with property assessed pursuant to this chapter* represents twenty-five percent or more of the total assessed value of real estate in such county, city or town, the local assessment ratio to be applied within that county, city or town no later than April 1 of the year for which it is applicable.

E. The Department of Taxation shall furnish to each county, city or town, by April 1 of each year, a description of the manner in which the local assessment ratio applicable to the county, city or town for the year was determined. The description furnished by the Department shall include, but not be limited to, a description of the parcels used, the time period from which sales transactions were drawn, the classification applied by the Department to any parcel or transaction, and any mathematical formulas used in calculating the local assessment ratio.

§ 58.1-2606. Local taxation of real and tangible personal property of public service corporations; other persons

A. Notwithstanding the provisions of this section and §§ 58.1-2607 and 58.1-2690, all local taxes on the real estate and tangible personal property of public service corporations referred to in such sections *and other persons with property assessed pursuant to this chapter* shall be at the real estate rate applicable in the respective locality. ~~Property, however, which has not been equalized as provided for in § 58.1-2604 shall continue to be assessed at forty percent of fair market value and taxed at the nominal rate applicable to public service corporation real property for the taxable year immediately preceding the~~

year such locality assesses as provided in § 58.1-3201. If the resulting effective tax rate for such unequalized public service corporation property in any county, city or town is less than the effective tax rate applicable to other real property therein, the locality shall adjust such nominal rate to equalize the effective tax rate on such public service corporation property with the effective tax rate applicable to other real property.

B. The assessed valuation of any class of property taxed as tangible personal property by any county, city or town before January 1, 1966, may continue to be taxed at rates no higher than those levied on other tangible personal property on January 1, 1966. On January 1, 1967, one-twentieth, and on each subsequent January 1 for nineteen years an additional one-twentieth, of the assessed valuation of such tangible personal property on January 1, 1966, shall be taxed at the real estate rate and the remainder may continue to be taxed at a rate no higher than the rate levied on tangible personal property on January 1, 1966. After December 31, 1985, the whole shall be taxed at the full local real estate tax rate.

C. Notwithstanding any of the foregoing provisions, all automobiles and trucks of such corporations and other persons shall be taxed at the same rate or rates applicable to other automobiles and trucks in the respective locality.

D. Notwithstanding any of the foregoing provisions, generating equipment which is reported to the Commission shall be taxed at a rate not to exceed the real estate rate applicable in the respective localities.

§ 58.1-2609. Local taxation of land and nonutility and noncarrier improvements of public service corporations; other persons.

Whenever land and noncarrier and nonutility improvements of public service corporations and other persons with property assessed pursuant to this chapter are appraised for local taxation by comparison to the appraised values placed by local assessors on similar properties in the taxing district, they shall be assessed by application of the local stated ratio of assessments to appraisals, and taxed at the rate applicable to other real property in the taxing district. Such property is hereby defined as a separate item of taxation for such purpose and shall be identified as a separate class of property for local taxation.

§ 58.1-2610. Penalty for failure to file timely report.

Any taxpayer person failing to make a report required under the provisions of this chapter within the time prescribed shall be liable to a penalty of \$100 for each day such taxpayer is late in making such report. The State Corporation Commission or Tax Commissioner, as the case may be, may waive all or a part of such penalty for good cause.

§ 58.1-2611. Penalty for failure to pay tax.

A. Any company or individual person failing to pay the tax levied pursuant to this chapter into the state treasury within the time prescribed by law shall incur a penalty thereon of ten percent, which shall be added to the amount of the tax due.

B. Notwithstanding the provisions of subsection A, such penalty shall not accrue in any case unless the State Corporation Commission or the Department, as the case may be, mails the corporation person a certified copy of the assessment on or before May 15 preceding. In the event such copy is not mailed on or before May 15 preceding, the penalty for nonpayment in time shall not accrue until the close of the fifteenth day next following the mailing of such certified copy of the assessment.

§ 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 (i) a pipeline transmission company taxed pursuant to § 58.1-2627.1 or (ii) an electric supplier as defined in § 58.1-400.2, 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 two 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 by such corporations.

§ 58.1-2627. Exemptions.

A. There shall be excluded from the gross receipts of any corporation engaged in the business of furnishing heat, light and power by means of electricity, receipts from interstate business. There shall be deducted from the gross receipts of any corporation engaged in the business of furnishing heat, light or power by means of gas, revenues billed on behalf of another person to the extent such revenues are

later paid over to or settled with that person.

B. There shall be deducted from the gross receipts of any power supply cooperative, defined in § 56-231.1, which purchases electricity for the sole purpose of resale to other cooperatives, the amount paid in such taxable period by such cooperative to purchase electricity from a vendor of electricity which is subject to the tax imposed by this chapter.

C. There shall be deducted from the gross receipts of any electric cooperative, as defined in § 56-209, which is engaged in sales to ultimate consumers, and every corporation engaged in the business of furnishing heat, light and power by means of electricity the amount so paid in such taxable period by such cooperative or corporation to purchase electricity from a vendor subject to the tax imposed by this chapter.

D. Whenever the total gross receipts of any corporation engaged in the business of furnishing heat, light or power by means of electricity or gas includes receipts from another corporation which is a member of an affiliated group of corporations and which is also subject to the tax imposed by § 58.1-2626, such receipts from such other corporation shall be deducted from such total gross receipts. The term "affiliated group" shall have the meaning given in § 58.1-3703.

E. Effective for purchases on and after July 1, 1994, there shall be deducted from the gross receipts of any electric cooperative, as defined in § 56-209, which is engaged in sales to ultimate consumers, the amount paid in such taxable period by such cooperative to purchase, for the purpose of resale within the Commonwealth, electricity from a federal entity which made payments during such taxable period to the Commonwealth in lieu of taxes in accordance with a federal law requiring such payments to be calculated on the basis of such federal entity's gross proceeds from the sale of electricity.

§ 58.1-2628. Annual report.

A. Each telegraph company and telephone company shall report annually, on April 15, to the Commission all real and tangible personal property of every description in the Commonwealth, owned, operated or used by it as of January 1 preceding, showing particularly the county, city, town or magisterial district wherein such property is located.

The report shall also show the total gross receipts for the twelve months ending December 31 next preceding and the interstate revenue, if any, attributable to the Commonwealth. Such revenue shall include all interstate revenue from business originating and terminating within the Commonwealth and a proportion of interstate revenue from all interstate business passing through, into or out of the Commonwealth.

B. Every corporation doing in the Commonwealth the business of furnishing water, heat, light and power, whether by means of ~~electricity~~, gas or steam, *except (i) pipeline transmission companies taxed pursuant to § 58.1-2627.1 or (ii) an electric supplier as defined in § 58.1-400.2*, shall report annually, on April 15, to the Commission all real and tangible personal property of every description in the Commonwealth, belonging to it as of January 1 preceding, showing particularly, as to property owned by it, the county, city, town or magisterial district wherein such property is located. The report shall also show the total gross receipts for the twelve months ending December 31 next preceding.

C. *Every corporation in the Commonwealth in the business of furnishing heat, light and power by means of electricity shall report annually, on April 15, to the Commission all real and tangible personal property of every description in the Commonwealth, belonging to such corporation as of the preceding January 1, showing particularly the county, city, town or magisterial district in which such property is located.*

D. *Every electric supplier shall report annually, on April 15, to the Commission all real and tangible personal property owned in the Commonwealth and used directly for the generation, transmission or distribution of electricity for sale.*

E. Every pipeline transmission company shall report annually, on April 15, to the Department all of its real and tangible personal property of every description as of the beginning of January 1 preceding, showing particularly in what city, town or county and magisterial district therein the property is located.

F. The report required by subsections A and B through E shall be completed on forms prepared and furnished by the Commission. The Commission shall include on such forms such information as the Commission deems necessary for the proper administration of this chapter.

G. The report required by this section shall be certified by the oath of the president or other designated official of the corporation or person.

§ 58.1-2633. Assessment by Commission.

A. The Commission shall assess the value of the *reported* property subject to local taxation of each telegraph, telephone, water, heat, light and power company and *electric supplier*, except a pipeline transmission company taxed pursuant to § 58.1-2627.1, and shall assess the license tax levied hereon if such company is subject to the license tax under this article.

B. Should any such ~~taxpayer~~ person fail to make the reports required by this article on or before

552 April 15 of each year, the Commission shall assess the value of the property of such ~~taxpayer~~ person,
 553 and its gross receipts upon the best and most reliable information that can be obtained by the
 554 Commission.

555 C. In making such assessment, the Commission may require such ~~taxpayer~~ person or its officers and
 556 employees to appear with such documents and papers as the Commission deems necessary.

557 § 58.1-2660. Special revenue tax; levy.

558 In addition to any other taxes upon the subjects of taxation listed herein, there is hereby levied,
 559 subject to the provisions of § 58.1-2664, a special regulatory revenue tax equal to two-tenths of one
 560 percent of the gross receipts such person receives from business done within the Commonwealth upon:

561 1. Corporations furnishing water, heat, light or power, ~~either~~ by means of ~~electricity~~, gas or steam,
 562 *except for electric suppliers as defined in § 58.1-400.2;*

563 2. Telegraph companies owning and operating a telegraph line apparatus necessary to communicate
 564 by telecommunications in the Commonwealth;

565 3. Telephone companies whose gross receipts from business done within the Commonwealth exceed
 566 \$50,000 or a company, the majority of stock or other property of which is owned or controlled by
 567 another telephone company, whose gross receipts exceed the amount set forth herein;

568 4. The Virginia Pilots' Association;

569 5. Railroads, except those exempt by virtue of federal law from the payment of state taxes, subject to
 570 the provisions of § 58.1-2661; and

571 6. Common carriers of passengers by motor vehicle, except urban and suburban bus lines, a majority
 572 of whose passengers use the buses for traveling a daily distance of not more than forty miles measured
 573 one way between their place of work, school or recreation and their place of abode.

574 § 58.1-2682. District boundaries to be furnished company and Commission.

575 The commissioner of the revenue, or person performing the duties of such officer, of any county set
 576 forth in § 58.1-2680 in which a public service corporation *or other person with property assessed*
 577 *pursuant to this chapter* owns property, shall furnish, in like manner as is provided in this chapter to the
 578 Commission, the Department and to each public service corporation *or other person with property*
 579 *assessed pursuant to this chapter* owning property in such county subject to local taxation, the
 580 boundaries of each district in such county in which any local tax is or may be levied.

581 CHAPTER 29.

582 ELECTRIC UTILITY CONSUMPTION TAX.

583 § 58.1-2900. Imposition of tax.

584 A. *Effective January 1, 2001, there is hereby imposed, in addition to the local consumer utility tax of*
 585 *Article 4 (§ 58.1-3812 et seq.) of Chapter 38, a tax on the consumers of electricity in the*
 586 *Commonwealth based on kilowatt hours used per month as follows:*

587 kWh per month	Maximum	State	Special	Local
588				
589	tax rate	consumption	Regulatory	Consumption
590				
591		tax	tax	tax
592				

593 0-2,500 \$0.00161/kWh

594
 595 2,501-50,000 0.00105/kWh

596
 597 50,001 + 0.00079/kWh

598
 599 *The tax rates herein are in lieu of and replace the state gross receipts tax (§ 58.1-2626), the special*
 600 *regulatory revenue tax (§ 58.1-2660), and the local license tax (§ 58.1-3731) levied on corporations*
 601 *furnishing heat, light or power by means of electricity.*

602 *The tax on consumers under this section shall not be imposed on consumers served by an electric*
 603 *utility owned or operated by a municipality if such municipal electric utility elects to have an amount*
 604 *equivalent to the tax included as part of the rate such utility (or an association or agency of which it is*
 605 *a member) pays for transmission and/or wholesale electric service. Such tax shall be calculated under*
 606 *the tax rate schedule as if the municipal electric utility were selling and collecting the tax from its*
 607 *consumers, and shall be remitted to the Commission pursuant to § 58.1-2901.*

608 B. *The tax authorized by this chapter shall not apply to municipalities' own use or to use by*
 609 *divisions or agencies of federal, state and local governments.*

610 § 58.1-2901. Collection and remittance of tax.

611 A. *The service provider shall collect the tax from the consumer by adding it as a separate charge to*
 612 *the consumer's monthly statement. Until the consumer pays the tax to such provider, the tax shall*

constitute a debt of the consumer to the Commonwealth. If any consumer refuses to pay the tax, the service provider shall notify the Commission and/or localities of the names and addresses of such consumers. After the consumer pays the tax to the service provider, the taxes collected shall be deemed to be held in trust by such provider until remitted to the Commission and/or localities.

B. A service provider shall remit monthly to the Commission the amount of tax paid during the preceding month by the service provider's consumers, except for (i) the tax due from municipal electric utilities (or an association or agency of which the municipality is a member), which they shall remit directly to the Commission and (ii) the portion which represents the local consumption tax, which portion shall be remitted to the locality in which the electricity was sold and shall be based on such locality's license fee rate which it imposed.

C. The electric utility consumption tax shall be remitted monthly, on or before the last day of the succeeding month of collection. Those portions of the electric utility consumption tax that relate to the state consumption tax and the special regulatory tax shall be remitted to the Commission; the portion that relates to the local consumption tax shall be remitted to the localities. Failure to remit timely will result in a ten percent penalty.

D. Taxes on electricity sales in the year ending December 31, 2000, relating to the local consumption tax, shall be paid in accordance with § 58.1-3731. Monthly payments in accordance with subsection C shall commence on February 28, 2001.

E. For purposes of this section, "service provider" means the person who delivers electricity to the consumer.

F. The portion of the electric utility consumption tax relating to the local consumption tax replaces and precludes localities from imposing a license tax in accordance with § 58.1-3731 and the business, professional, occupation and license tax in accordance with Chapter 37 (§ 58.1-3700 et seq.) on electric suppliers subsequent to December 31, 2000, except as provided in subsection D.

§ 59.1-2902. Electric utility consumption tax relating to the special regulatory tax; when not assessed or assessed only in part.

A. The Commission may in the performance of its function and duty in levying the electric utility consumption tax relating to the special regulatory tax, omit the levy on any portion of the tax fixed in § 58.1-2900 as is unnecessary within the Commission's sole discretion for the accomplishment of the objects for which the tax is imposed, including a reasonable margin in the nature of a reserve fund.

B. The Commission shall notify all service providers collecting the tax on consumers of electricity of any change in the electric utility consumption tax relating to the special regulatory tax not later than the first day of the second month preceding the month in which the revised rate is to take effect.

§ 58.1-2903. Use of electric utility consumption tax relating to special regulatory tax.

The electric utility consumption tax relating to the special regulatory tax paid into the treasury under this chapter shall be deposited into a special fund used only by the Commission for the purpose of making appraisals, assessments and collections against electric suppliers as defined in §§ 58.1-400.2 and 58.1-2600 and public service corporations furnishing heat, light and power by means of electricity and for the further purposes of the Commission in investigating and inspecting the properties or the service or services of such electric suppliers and public service corporations, and for the supervision and administration of all laws relative to such electric suppliers and public service corporations, whenever the same shall be deemed necessary by the Commission.

§ 58.1-3731. Certain public service corporations; rate limitation.

Every county, city or town is hereby authorized to impose a license tax, in addition to any tax levied under Chapter 26 of this title, on (i) telephone and telegraph companies, (ii) water companies, and (iii) heat, light and power companies (except electric suppliers as defined in § 58.1-400.2) at a rate not to exceed one-half of one percent of the gross receipts of such company accruing from sales to the ultimate consumer in such county, city or town. However, in the case of telephone companies, charges for long distance telephone calls shall not be included in gross receipts for purposes of license taxation. After December 31, 2000, the license tax authorized by this section shall not be imposed on electric suppliers (as defined in § 58.1-400.2), except as provided in § 58.1-2901 D.

§ 58.1-3814. Water or heat, light and power companies.

A. Any county, city or town may impose a tax on the consumers of the utility service or services provided by any water or heat, light and power company or other corporations coming within the provisions of Chapter 26 (§ 58.1-2600 et seq.), which tax shall not be imposed at a rate in excess of twenty percent of the monthly amount charged to consumers of the utility service and shall not be applicable to any amount so charged in excess of fifteen dollars per month for residential customers. Any city, town or county that on July 1, 1972, imposed a utility consumer tax in excess of limits specified herein may continue to impose such a tax in excess of such limits, but no more.

B. Any tax enacted pursuant to the provisions of this section, or any change in a tax or structure already in existence, shall not be effective until sixty days subsequent to written notice by certified mail

674 from the county, city or town imposing such tax or change thereto, to the registered agent of the utility
675 corporation that is required to collect the tax.

676 C. Any county, city or town may impose a tax on the consumers of services provided within its
677 jurisdiction by any electric light and power, water or gas company owned by another municipality;
678 provided, that no county shall be authorized under this section to impose a tax within a municipality on
679 consumers of services provided by an electric light and power, water or gas company owned by that
680 municipality. Any county tax imposed hereunder shall not apply within the limits of any incorporated
681 town located within such county which town imposes a town tax on consumers of utility service or
682 services provided by any corporation coming within the provisions of Chapter 26, provided that such
683 town (i) provides police or fire protection, and water or sewer services, provided that any such town
684 served by a sanitary district or service authority providing water or sewer services or served by the
685 county in which the town is located when such service or services are provided pursuant to an
686 agreement between the town and county shall be deemed to be providing such water and sewer services
687 itself, or (ii) constitutes a special school district and is operated as a special school district under a town
688 school board of three members appointed by the town council.

689 Any county, city or town may provide for an exemption from the tax for any public safety agency as
690 defined in § 58.1-3813.

691 Any city with a population of not less than 27,000 and not more than 28,500 may provide an
692 exemption from the tax for any church or religious body entitled to an exemption pursuant to Article 4
693 (§ 58.1-3650 et seq.) of Chapter 36.

694 Any municipality required to collect a tax imposed under authority of this section for another city or
695 county or town shall be entitled to a reasonable fee for such collection.

696 D. In a consolidated county wherein a tier-city exists, any county tax imposed hereunder shall apply
697 within the limits of any tier-city located in such county, as may be provided in the agreement or plan of
698 consolidation, and such tier-city may impose a tier-city tax on the same consumers of utility service or
699 services, provided that the combined county and tier-city rates do not exceed the maximum permitted by
700 state law.

701 E. The tax authorized by this section shall not apply to utility sales of products used as motor
702 vehicle fuels.

703 F. *For taxable years beginning on and after January 1, 2001, any county, city or town may impose a*
704 *tax on consumers of electricity provided by electric suppliers as defined in § 58.1-400.2 which shall not*
705 *be imposed at a rate in excess of \$.015 (1 1/2 cent) per kWh billed monthly to consumers of electricity*
706 *and shall not be applicable to any kilowatt hours billed in excess of 200 kWh per month for residential*
707 *customers. For any county, city or town that on July 1, 1972, imposed a utility consumer tax in excess*
708 *of the monthly limit placed on residential consumers by § 58.1-3814 as in existence prior to this act and*
709 *other consumers not subject to the maximum tax set by the Code. The service provider shall convert the*
710 *dollar amount rate to a kWh rate of tax be based on the monthly tax that is being collected immediately*
711 *prior to this act. The service provider shall bill the tax to all users to whom it delivers electricity, and*
712 *shall remit such tax to the appropriate locality in accordance with § 58.1-2901. The provisions of this*
713 *subsection shall be applicable without the necessity of the locality amending or reenacting its existing*
714 *ordinance imposing such tax.*

715 Subsection B shall apply to any tax on the consumers of electricity enacted or amended pursuant to
716 this section, except that the notice provided therein shall be given to the registered agent of the service
717 provider that is required to collect the tax.

718 G. Until the consumer pays the tax to such service provider, the tax shall constitute a debt to the
719 locality. If any consumer refuses to pay the tax, the service provider shall notify the localities of the
720 names and addresses of such consumers. After the consumer pays the tax to the service provider, the
721 taxes shall be deemed to be held in trust by such service provider until remitted to the localities.

722 **2. That the provisions of this act amending various sections of Chapter 26 (§ 58.1-2600 et seq.) of**
723 **Title 58.1 shall be effective for tax years, beginning on and after January 1, 2002.**

724 **3. That the provisions of this act adding Chapter 29 (§ 58.1-2900 et seq.) shall be effective for tax**
725 **years, beginning on and after January 1, 2001.**