

SENATE BILL NO. 14

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the House Committee on Finance

on February 21, 2024)

(Patron Prior to Substitute--Senator McPike)

A BILL to amend and reenact §§ 58.1-602, 58.1-605, 58.1-605.1, and 58.1-606.1 of the Code of Virginia, relating to additional local sales and use tax to support schools; referendum.

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

**1. That §§ 58.1-602, 58.1-605, 58.1-605.1, and 58.1-606.1 of the Code of Virginia are amended and reenacted as follows:**

**§ 58.1-602. Definitions.**

As used in this chapter, unless the context clearly shows otherwise:

"Accommodations" means any room or rooms, lodgings, or accommodations in any hotel, motel, inn, tourist camp, tourist cabin, camping grounds, club, short-term rental, or any other place in which rooms, lodging, space, or accommodations are regularly furnished to transients for a consideration.

"Accommodations" does not include rooms or space offered by a person in the business of providing conference rooms, meeting space, or event space if the person does not also offer rooms available for overnight sleeping.

"Accommodations fee" means the room charge less the discount room charge, if any, provided that the accommodations fee shall not be less than \$0.

"Accommodations intermediary" means any person other than an accommodations provider that (i) facilitates the sale of an accommodation and (ii) either (a) charges a room charge to the customer, and charges an accommodations fee to the customer, which fee it retains as compensation for facilitating the sale; (b) collects a room charge from the customer; or (c) charges a fee, other than an accommodations fee, to the customer, which fee it retains as compensation for facilitating the sale. For purposes of this definition, "facilitates the sale" includes brokering, coordinating, or in any other way arranging for the

27 purchase of the right to use accommodations via a transaction directly, including via one or more payment  
28 processors, between a customer and an accommodations provider.

29 "Accommodations intermediary" does not include a person:

30 1. If the accommodations are provided by an accommodations provider operating under a  
31 trademark, trade name, or service mark belonging to such person;

32 2. Who facilitates the sale of an accommodation if (i) the price paid by the customer to such person  
33 is equal to the price paid by such person to the accommodations provider for the use of the  
34 accommodations and (ii) the only compensation received by such person for facilitating the sale of the  
35 accommodation is a commission paid from the accommodations provider to such person; or

36 3. Who is licensed as a real estate licensee pursuant to Article 1 (§ 54.1-2100 et seq.) of Chapter  
37 21 of Title 54.1, when acting within the scope of such license.

38 "Accommodations provider" means any person that furnishes accommodations to the general  
39 public for compensation. The term "furnishes" includes the sale of use or possession or the sale of the  
40 right to use or possess.

41 "Advertising" means the planning, creating, or placing of advertising in newspapers, magazines,  
42 billboards, broadcasting and other media, including, without limitation, the providing of concept, writing,  
43 graphic design, mechanical art, photography and production supervision. Any person providing  
44 advertising as defined in this section shall be deemed to be the user or consumer of all tangible personal  
45 property purchased for use in such advertising.

46 "Affiliate" means the same as such term is defined in § 58.1-439.18.

47 "Amplification, transmission, distribution, and network equipment" means production,  
48 distribution, and other equipment used to provide Internet-access services, such as computer and  
49 communications equipment and software used for storing, processing, and retrieving end-user subscribers'  
50 requests. A "network" includes modems, fiber optic cables, coaxial cables, radio equipment, routing  
51 equipment, switching equipment, a cable modem termination system, associated software, transmitters,  
52 power equipment, storage devices, servers, multiplexers, and antennas, which network is used to provide

53 Internet service, regardless of whether the provider of such service is also a telephone common carrier or  
54 whether such network is also used to provide services other than Internet services.

55 "Business" includes any activity engaged in by any person, or caused to be engaged in by him,  
56 with the object of gain, benefit or advantage, either directly or indirectly.

57 "Cost price" means the actual cost of an item or article of tangible personal property computed in  
58 the same manner as the sales price as defined in this section without any deductions therefrom on account  
59 of the cost of materials used, labor, or service costs, transportation charges, or any expenses whatsoever.

60 "Custom program" means a computer program that is specifically designed and developed only  
61 for one customer. The combining of two or more prewritten programs does not constitute a custom  
62 computer program. A prewritten program that is modified to any degree remains a prewritten program  
63 and does not become custom.

64 "Discount room charge" means the full amount charged by the accommodations provider to the  
65 accommodations intermediary, or an affiliate thereof, for furnishing the accommodations.

66 "Distribution" means the transfer or delivery of tangible personal property for use, consumption,  
67 or storage by the distributee, and the use, consumption, or storage of tangible personal property by a person  
68 that has processed, manufactured, refined, or converted such property, but does not include the transfer or  
69 delivery of tangible personal property for resale or any use, consumption, or storage otherwise exempt  
70 under this chapter.

71 "Gross proceeds" means the charges made or voluntary contributions received for the lease or  
72 rental of tangible personal property or for furnishing services, computed with the same deductions, where  
73 applicable, as for sales price as defined in this section over the term of the lease, rental, service, or use,  
74 but not less frequently than monthly. "Gross proceeds" does not include finance charges, carrying charges,  
75 service charges, or interest from credit extended on the lease or rental of tangible personal property under  
76 conditional lease or rental contracts or other conditional contracts providing for the deferred payments of  
77 the lease or rental price.

78 "Gross sales" means the sum total of all retail sales of tangible personal property or services as  
79 defined in this chapter, without any deduction, except as provided in this chapter. "Gross sales" does not

80 include the federal retailers' excise tax or the federal diesel fuel excise tax imposed in § 4091 of the Internal  
81 Revenue Code if the excise tax is billed to the purchaser separately from the selling price of the article, or  
82 the Virginia retail sales or use tax, or any sales or use tax imposed by any county or city under § 58.1-605  
83 or 58.1-606.

84 "Import" and "imported" are words applicable to tangible personal property imported into the  
85 Commonwealth from other states as well as from foreign countries, and "export" and "exported" are words  
86 applicable to tangible personal property exported from the Commonwealth to other states as well as to  
87 foreign countries.

88 "In this Commonwealth" or "in the Commonwealth" means within the limits of the  
89 Commonwealth of Virginia and includes all territory within these limits owned by or ceded to the United  
90 States of America.

91 "Integrated process," when used in relation to semiconductor manufacturing, means a process that  
92 begins with the research or development of semiconductor products, equipment, or processes, includes  
93 the handling and storage of raw materials at a plant site, and continues to the point that the product is  
94 packaged for final sale and either shipped or conveyed to a warehouse. Without limiting the foregoing,  
95 any semiconductor equipment, fuel, power, energy, supplies, or other tangible personal property shall be  
96 deemed used as part of the integrated process if its use contributes, before, during, or after production, to  
97 higher product quality, production yields, or process efficiencies. Except as otherwise provided by law,  
98 "integrated process" does not mean general maintenance or administration.

99 "Internet" means, collectively, the myriad of computer and telecommunications facilities, which  
100 comprise the interconnected worldwide network of computer networks that employ the Transmission  
101 Control Protocol/Internet Protocol, or any predecessor or successor to such protocol, to communicate  
102 information of all kinds by wire or radio.

103 "Internet service" means a service that enables users to access content, information, and other  
104 services offered over the Internet.

105 "Lease or rental" means the leasing or renting of tangible personal property and the possession or  
106 use thereof by the lessee or renter for a consideration, without transfer of the title to such property.

107 "Manufacturing, processing, refining, or conversion" includes the production line of the plant  
108 starting with the handling and storage of raw materials at the plant site and continuing through the last  
109 step of production where the product is finished or completed for sale and conveyed to a warehouse at the  
110 production site, and also includes equipment and supplies used for production line testing and quality  
111 control. "Manufacturing" also includes the necessary ancillary activities of newspaper and magazine  
112 printing when such activities are performed by the publisher of any newspaper or magazine for sale daily  
113 or regularly at average intervals not exceeding three months.

114 The determination of whether any manufacturing, mining, processing, refining or conversion  
115 activity is industrial in nature shall be made without regard to plant size, existence or size of finished  
116 product inventory, degree of mechanization, amount of capital investment, number of employees or other  
117 factors relating principally to the size of the business. Further, "industrial in nature" includes, but is not  
118 limited to, those businesses classified in codes 10 through 14 and 20 through 39 published in the Standard  
119 Industrial Classification Manual for 1972 and any supplements issued thereafter.

120 "Modular building" means, but is not limited to, single and multifamily houses, apartment units,  
121 commercial buildings, and permanent additions thereof, comprised of one or more sections that are  
122 intended to become real property, primarily constructed at a location other than the permanent site, built  
123 to comply with the Virginia Industrialized Building Safety Law (§ 36-70 et seq.) as regulated by the  
124 Virginia Department of Housing and Community Development, and shipped with most permanent  
125 components in place to the site of final assembly. For purposes of this chapter, "modular building" does  
126 not include a mobile office as defined in § 58.1-2401 or any manufactured building subject to and certified  
127 under the provisions of the National Manufactured Housing Construction and Safety Standards Act of  
128 1974 (42 U.S.C. § 5401 et seq.).

129 "Modular building manufacturer" means a person that owns or operates a manufacturing facility  
130 and is engaged in the fabrication, construction and assembling of building supplies and materials into  
131 modular buildings, as defined in this section, at a location other than at the site where the modular building  
132 will be assembled on the permanent foundation and may or may not be engaged in the process of affixing  
133 the modules to the foundation at the permanent site.

134 "Modular building retailer" means any person that purchases or acquires a modular building from  
135 a modular building manufacturer, or from another person, for subsequent sale to a customer residing  
136 within or outside of the Commonwealth, with or without installation of the modular building to the  
137 foundation at the permanent site.

138 "Motor vehicle" means a "motor vehicle" as defined in § 58.1-2401, taxable under the provisions  
139 of the Virginia Motor Vehicles Sales and Use Tax Act (§ 58.1-2400 et seq.) and upon the sale of which  
140 all applicable motor vehicle sales and use taxes have been paid.

141 "Occasional sale" means a sale of tangible personal property not held or used by a seller in the  
142 course of an activity for which it is required to hold a certificate of registration, including the sale or  
143 exchange of all or substantially all the assets of any business and the reorganization or liquidation of any  
144 business, provided that such sale or exchange is not one of a series of sales and exchanges sufficient in  
145 number, scope and character to constitute an activity requiring the holding of a certificate of registration.

146 "Open video system" means an open video system authorized pursuant to 47 U.S.C. § 573 and, for  
147 purposes of this chapter only, also includes Internet service regardless of whether the provider of such  
148 service is also a telephone common carrier.

149 "Person" includes any individual, firm, copartnership, cooperative, nonprofit membership  
150 corporation, joint venture, association, corporation, estate, trust, business trust, trustee in bankruptcy,  
151 receiver, auctioneer, syndicate, assignee, club, society, or other group or combination acting as a unit,  
152 body politic or political subdivision, whether public or private, or quasi-public, and the plural of "person"  
153 means the same as the singular.

154 "Prewritten program" means a computer program that is prepared, held or existing for general or  
155 repeated sale or lease, including a computer program developed for in-house use and subsequently sold or  
156 leased to unrelated third parties.

157 ~~"Qualifying locality" means Charlotte County, Gloucester County, Halifax County, Henry County,~~  
158 ~~Mecklenburg County, Northampton County, Patrick County, Pittsylvania County, or the City of Danville.~~

159 "Qualifying town" means any incorporated town constituting and operating a special school  
160 district separate from the school district operated by the county within which such incorporated town lies.

161 "Railroad rolling stock" means locomotives, of whatever motive power, autocars, railroad cars of  
162 every kind and description, and all other equipment determined by the Tax Commissioner to constitute  
163 railroad rolling stock.

164 "Remote seller" means any dealer deemed to have sufficient activity within the Commonwealth to  
165 require registration under § 58.1-613 under the criteria specified in subdivision C 10 or 11 of § 58.1-612  
166 or any software provider acting on behalf of such dealer.

167 "Retail sale" or a "sale at retail" means a sale to any person for any purpose other than for resale  
168 in the form of tangible personal property or services taxable under this chapter, and shall include any such  
169 transaction as the Tax Commissioner upon investigation finds to be in lieu of a sale. All sales for resale  
170 must be made in strict compliance with regulations applicable to this chapter. Any dealer making a sale  
171 for resale which is not in strict compliance with such regulations shall be personally liable for payment of  
172 the tax.

173 The terms "retail sale" and a "sale at retail" specifically include the following: (i) the sale or charges  
174 for any accommodations furnished to transients for less than 90 continuous days; (ii) sales of tangible  
175 personal property to persons for resale when because of the operation of the business, or its very nature,  
176 or the lack of a place of business in which to display a certificate of registration, or the lack of a place of  
177 business in which to keep records, or the lack of adequate records, or because such persons are minors or  
178 transients, or because such persons are engaged in essentially service businesses, or for any other reason  
179 there is likelihood that the Commonwealth will lose tax funds due to the difficulty of policing such  
180 business operations; (iii) the separately stated charge made for automotive refinish repair materials that  
181 are permanently applied to or affixed to a motor vehicle during its repair; and (iv) the separately stated  
182 charge for equipment available for lease or purchase by a provider of satellite television programming to  
183 the customer of such programming. Equipment sold to a provider of satellite television programming for  
184 subsequent lease or purchase by the customer of such programming shall be deemed a sale for resale. The  
185 Tax Commissioner is authorized to promulgate regulations requiring vendors of or sellers to such persons  
186 to collect the tax imposed by this chapter on the cost price of such tangible personal property to such  
187 persons and may refuse to issue certificates of registration to such persons. The terms "retail sale" and a

188 "sale at retail" also specifically include the separately stated charge made for supplies used during  
189 automotive repairs whether or not there is transfer of title or possession of the supplies and whether or not  
190 the supplies are attached to the automobile. The purchase of such supplies by an automotive repairer for  
191 sale to the customer of such repair services shall be deemed a sale for resale.

192 The term "transient" does not include a purchaser of camping memberships, time-shares,  
193 condominiums, or other similar contracts or interests that permit the use of, or constitute an interest in,  
194 real estate, however created or sold and whether registered with the Commonwealth or not. Further, a  
195 purchaser of a right or license which entitles the purchaser to use the amenities and facilities of a specific  
196 real estate project on an ongoing basis throughout its term shall not be deemed a transient, provided,  
197 however, that the term or time period involved is for seven years or more.

198 The terms "retail sale" and "sale at retail" do not include a transfer of title to tangible personal  
199 property after its use as tools, tooling, machinery or equipment, including dies, molds, and patterns, if (i)  
200 at the time of purchase, the purchaser is obligated, under the terms of a written contract, to make the  
201 transfer and (ii) the transfer is made for the same or a greater consideration to the person for whom the  
202 purchaser manufactures goods.

203 "Retailer" means every person engaged in the business of making sales at retail, or for distribution,  
204 use, consumption, or storage to be used or consumed in the Commonwealth.

205 "Room charge" means the full retail price charged to the customer for the use of the  
206 accommodations before taxes. "Room charge" includes any fee charged to the customer and retained as  
207 compensation for facilitating the sale, whether described as an accommodations fee, facilitation fee, or  
208 any other name. The room charge shall be determined in accordance with 23VAC10-210-730 and the  
209 related rulings of the Department on the same.

210 "Sale" means any transfer of title or possession, or both, exchange, barter, lease or rental,  
211 conditional or otherwise, in any manner or by any means whatsoever, of tangible personal property and  
212 any rendition of a taxable service for a consideration, and includes the fabrication of tangible personal  
213 property for consumers who furnish, either directly or indirectly, the materials used in fabrication, and the  
214 furnishing, preparing, or serving for a consideration of any tangible personal property consumed on the



215 premises of the person furnishing, preparing, or serving such tangible personal property. A transaction  
216 whereby the possession of property is transferred but the seller retains title as security for the payment of  
217 the price shall be deemed a sale.

218 "Sales price" means the total amount for which tangible personal property or services are sold,  
219 including any services that are a part of the sale, valued in money, whether paid in money or otherwise,  
220 and includes any amount for which credit is given to the purchaser, consumer, or lessee by the dealer,  
221 without any deduction therefrom on account of the cost of the property sold, the cost of materials used,  
222 labor or service costs, losses or any other expenses whatsoever. "Sales price" does not include (i) any cash  
223 discount allowed and taken; (ii) finance charges, carrying charges, service charges or interest from credit  
224 extended on sales of tangible personal property under conditional sale contracts or other conditional  
225 contracts providing for deferred payments of the purchase price; (iii) separately stated local property taxes  
226 collected; (iv) that portion of the amount paid by the purchaser as a discretionary gratuity added to the  
227 price of a meal; or (v) that portion of the amount paid by the purchaser as a mandatory gratuity or service  
228 charge added by a restaurant to the price of a meal, but only to the extent that such mandatory gratuity or  
229 service charge does not exceed 20 percent of the price of the meal. Where used articles are taken in trade,  
230 or in a series of trades as a credit or part payment on the sale of new or used articles, the tax levied by this  
231 chapter shall be paid on the net difference between the sales price of the new or used articles and the credit  
232 for the used articles.

233 "Semiconductor cleanrooms" means the integrated systems, fixtures, piping, partitions, flooring,  
234 lighting, equipment, and all other property used to reduce contamination or to control airflow, temperature,  
235 humidity, vibration, or other environmental conditions required for the integrated process of  
236 semiconductor manufacturing.

237 "Semiconductor equipment" means (i) machinery or tools or repair parts or replacements thereof;  
238 (ii) the related accessories, components, pedestals, bases, or foundations used in connection with the  
239 operation of the equipment, without regard to the proximity to the equipment, the method of attachment,  
240 or whether the equipment or accessories are affixed to the realty; (iii) semiconductor wafers and other  
241 property or supplies used to install, test, calibrate or recalibrate, characterize, condition, measure, or

242 maintain the equipment and settings thereof; and (iv) equipment and supplies used for quality control  
243 testing of product, materials, equipment, or processes; or the measurement of equipment performance or  
244 production parameters regardless of where or when the quality control, testing, or measuring activity takes  
245 place, how the activity affects the operation of equipment, or whether the equipment and supplies come  
246 into contact with the product.

247 "Short-term rental" means the same as such term is defined in § 15.2-983.

248 "Storage" means any keeping or retention of tangible personal property for use, consumption or  
249 distribution in the Commonwealth, or for any purpose other than sale at retail in the regular course of  
250 business.

251 "Tangible personal property" means personal property that may be seen, weighed, measured, felt,  
252 or touched, or is in any other manner perceptible to the senses. "Tangible personal property" does not  
253 include stocks, bonds, notes, insurance or other obligations or securities. "Tangible personal property"  
254 includes (i) telephone calling cards upon their initial sale, which shall be exempt from all other state and  
255 local utility taxes, and (ii) manufactured signs.

256 "Use" means the exercise of any right or power over tangible personal property incident to the  
257 ownership thereof, except that it does not include the sale at retail of that property in the regular course of  
258 business. "Use" does not include the exercise of any right or power, including use, distribution, or storage,  
259 over any tangible personal property sold to a nonresident donor for delivery outside of the Commonwealth  
260 to a nonresident recipient pursuant to an order placed by the donor from outside the Commonwealth via  
261 mail or telephone. "Use" does not include any sale determined to be a gift transaction, subject to tax under  
262 § 58.1-604.6.

263 "Use tax" refers to the tax imposed upon the use, consumption, distribution, and storage as defined  
264 in this section.

265 "Used directly," when used in relation to manufacturing, processing, refining, or conversion, refers  
266 to those activities that are an integral part of the production of a product, including all steps of an integrated  
267 manufacturing or mining process, but not including ancillary activities such as general maintenance or  
268 administration. When used in relation to mining, "used directly" refers to the activities specified in this

269 definition and, in addition, any reclamation activity of the land previously mined by the mining company  
270 required by state or federal law.

271 "Video programmer" means a person that provides video programming to end-user subscribers.

272 "Video programming" means video and/or information programming provided by or generally  
273 considered comparable to programming provided by a cable operator, including, but not limited to,  
274 Internet service.

275 **§ 58.1-605. To what extent and under what conditions cities and counties may levy local sales**  
276 **taxes; collection thereof by Commonwealth and return of revenue to each city or county entitled**  
277 **thereto.**

278 A. No county, city or town shall impose any local general sales or use tax or any local general  
279 retail sales or use tax except as authorized by this section or § 58.1-605.1.

280 B. The council of any city and the governing body of any county may levy a general retail sales  
281 tax at the rate of one percent to provide revenue for the general fund of such city or county. Such tax shall  
282 be added to the rate of the state sales tax imposed by §§ 58.1-603 and 58.1-604 and shall be subject to all  
283 the provisions of this chapter and the rules and regulations published with respect thereto. No discount  
284 under § 58.1-622 shall be allowed on a local sales tax.

285 C. 1. The council of any city and the governing body of any county desiring to impose a local sales  
286 tax under this section may do so by the adoption of an ordinance stating its purpose and referring to this  
287 section, and providing that such ordinance shall be effective on the first day of a month at least 60 days  
288 after its adoption. A certified copy of such ordinance shall be forwarded to the Tax Commissioner so that  
289 it will be received within five days after its adoption.

290 2. Prior to any change in the rate of any local sales and use tax, the Tax Commissioner shall provide  
291 remote sellers with at least 30 days' notice. Any change in the rate of any local sales and use tax shall only  
292 become effective on the first day of a calendar quarter. Failure to provide notice pursuant to this section  
293 shall require the Commonwealth and the locality to apply the preceding effective rate until 30 days after  
294 notification is provided.

295 D. Any local sales tax levied under this section shall be administered and collected by the Tax  
296 Commissioner in the same manner and subject to the same penalties as provided for the state sales tax.

297 E. All local sales tax moneys collected by the Tax Commissioner under this section shall be paid  
298 into the state treasury to the credit of a special fund which is hereby created on the Comptroller's books  
299 under the name "Collections of Local Sales Taxes." Such local sales tax moneys shall be credited to the  
300 account of each particular city or county levying a local sales tax under this section. The basis of such  
301 credit shall be the city or county in which the sales were made as shown by the records of the Department  
302 and certified by it monthly to the Comptroller, namely, the city or county of location of each place of  
303 business of every dealer paying the tax to the Commonwealth without regard to the city or county of  
304 possible use by the purchasers. If a dealer has any place of business located in more than one political  
305 subdivision by reason of the boundary line or lines passing through such place of business, the amount of  
306 sales tax paid by such a dealer with respect to such place of business shall be treated for the purposes of  
307 this section as follows: one-half shall be assignable to each political subdivision where two are involved,  
308 one-third where three are involved, and one-fourth where four are involved.

309 F. As soon as practicable after the local sales tax moneys have been paid into the state treasury in  
310 any month for the preceding month, the Comptroller shall draw his warrant on the Treasurer of Virginia  
311 in the proper amount in favor of each city or county entitled to the monthly return of its local sales tax  
312 moneys, and such payments shall be charged to the account of each such city or county under the special  
313 fund created by this section. If errors are made in any such payment, or adjustments are otherwise  
314 necessary, whether attributable to refunds to taxpayers, or to some other fact, the errors shall be corrected  
315 and adjustments made in the payments for the next two months as follows: one-half of the total adjustment  
316 shall be included in the payments for the next two months. In addition, the payment shall include a refund  
317 of amounts erroneously not paid to the city or county and not previously refunded during the three years  
318 preceding the discovery of the error. A correction and adjustment in payments described in this subsection  
319 due to the misallocation of funds by the dealer shall be made within three years of the date of the payment  
320 error.

321 G. Such payments to counties are subject to the qualification that in any county wherein is situated  
322 any incorporated town constituting a special school district and operated as a separate school district under  
323 a town school board of three members appointed by the town council, the county treasurer shall pay into  
324 the town treasury for general governmental purposes the proper proportionate amount received by him in  
325 the ratio that the school age population of such town bears to the school age population of the entire  
326 county. If the school age population of any town constituting a separate school district is increased by the  
327 annexation of territory since the last estimate of school age population provided by the Weldon Cooper  
328 Center for Public Service, such increase shall, for the purposes of this section, be added to the school age  
329 population of such town as shown by the last such estimate and a proper reduction made in the school age  
330 population of the county or counties from which the annexed territory was acquired.

331 H. One-half of such payments to counties are subject to the further qualification, other than as set  
332 out in subsection G, that in any county wherein is situated any incorporated town not constituting a  
333 separate special school district that has complied with its charter provisions providing for the election of  
334 its council and mayor for a period of at least four years immediately prior to the adoption of the sales tax  
335 ordinance, the county treasurer shall pay into the town treasury of each such town for general  
336 governmental purposes the proper proportionate amount received by him in the ratio that the school age  
337 population of each such town bears to the school age population of the entire county, based on the latest  
338 estimate provided by the Weldon Cooper Center for Public Service. The preceding requirement pertaining  
339 to the time interval between compliance with election provisions and adoption of the sales tax ordinance  
340 shall not apply to a tier-city. If the school age population of any such town not constituting a separate  
341 special school district is increased by the annexation of territory or otherwise since the last estimate of  
342 school age population provided by the Weldon Cooper Center for Public Service, such increase shall, for  
343 the purposes of this section, be added to the school age population of such town as shown by the last such  
344 estimate and a proper reduction made in the school age population of the county or counties from which  
345 the annexed territory was acquired.

346 I. Notwithstanding the provisions of subsection H, the board of supervisors of a county may, in its  
347 discretion, appropriate funds to any incorporated town not constituting a separate school district within

348 such county that has not complied with the provisions of its charter relating to the elections of its council  
 349 and mayor, ~~an amount not to exceed the amount it would have received from the tax imposed by this~~  
 350 ~~chapter if such election had been held; however, Charlotte County, Gloucester County, Halifax County,~~  
 351 ~~Henry County, Mecklenburg County, Northampton County, Patrick County, and Pittsylvania County may~~  
 352 ~~appropriate any amount to any such incorporated town.~~

353 J. It is further provided that if any incorporated town which would otherwise be eligible to receive  
 354 funds from the county treasurer under subsection G or H be located in a county that does not levy a general  
 355 retail sales tax under the provisions of this law, such town may levy a general retail sales tax at the rate of  
 356 one percent to provide revenue for the general fund of the town, subject to all the provisions of this section  
 357 generally applicable to cities and counties. Any tax levied under the authority of this subsection shall in  
 358 no case continue to be levied on or after the effective date of a county ordinance imposing a general retail  
 359 sales tax in the county within which such town is located.

360 **§ 58.1-605.1. Additional local sales tax; use of revenues for construction or renovation of**  
 361 **schools.**

362 A. ~~1.~~ In addition to the sales tax authorized under § 58.1-605, ~~a qualifying locality~~ any county or  
 363 city may levy a general retail sales tax at a rate not to exceed one percent as determined by its governing  
 364 body to provide revenue solely for capital projects for ~~the construction or renovation of schools in~~ servicing  
 365 ~~each such locality~~ county or city. For the purposes of this section, "capital projects" means construction,  
 366 additions, renovations, including retrofitting and enlarging public school buildings, infrastructure,  
 367 including technology infrastructure, and site acquisition for public school buildings and facilities. Such  
 368 tax shall be added to the rates of the state and local sales tax imposed by this chapter and shall be subject  
 369 to all the provisions of this chapter and the rules and regulations published with respect thereto. No  
 370 discount under § 58.1-622 shall be allowed on this local sales tax.

371 ~~2. Any tax imposed pursuant to this section shall expire (i) if the capital projects for the~~  
 372 ~~construction or renovation of schools are to be financed by bonds or loans, on the date by which such~~  
 373 ~~bonds or loans shall be repaid or (ii) if the capital projects for the construction or renovation of schools~~  
 374 ~~are not to be financed by bonds or loans, on a date chosen by the governing body and specified in any~~

375 ~~resolution passed pursuant to the provisions of subdivision B 1. Such expiration date shall not be more~~  
376 ~~than 20 years after the date of the resolution passed pursuant to the provisions of subdivision B 1.~~

377 B. 1. This tax may be levied only if the tax is approved in a referendum within the ~~qualifying~~  
378 ~~locality~~ county or city held in accordance with § 24.2-684 and initiated by a resolution of the local  
379 governing body. Such resolution shall state ~~(i) if the capital projects for the construction or renovation of~~  
380 ~~schools are to be financed by bonds or loans, the date by which such bonds or loans shall be repaid or (ii)~~  
381 ~~if the capital projects for the construction or renovation of schools are not to be financed by bonds or~~  
382 ~~loans, a specified date on which the sales tax shall expire~~ that revenues resulting from the imposition of  
383 this tax are to be used on capital projects, and may state that such revenues resulting from the imposition  
384 of this tax may be used for the debt service of such capital projects.

385 2. The clerk of the circuit court shall publish notice of the referendum in a newspaper of general  
386 circulation in the ~~qualifying locality~~ county or city once a week for three consecutive weeks prior to the  
387 election. The question on the ballot for the referendum shall include language stating ~~(i) that the revenues~~  
388 ~~from the sales tax shall be used solely for capital projects for the construction or renovation of schools~~  
389 ~~and (ii) the date on which the sales tax shall expire.~~

390 C. The governing body of the ~~qualifying locality~~ county or city, if it elects to impose a local sales  
391 tax under this section after approval at a referendum as provided in subsection B shall do so by the adoption  
392 of an ordinance stating its purpose and referring to this section and providing that such ordinance shall be  
393 effective on the first day of a month at least 120 days after its adoption. ~~Such ordinance shall state the date~~  
394 ~~on which the sales tax shall expire.~~ A certified copy of such ordinance shall be forwarded to the Tax  
395 Commissioner so that it will be received within five days after its adoption.

396 D. Any local sales tax levied under this section shall be administered and collected by the Tax  
397 Commissioner in the same manner and subject to the same exemptions and penalties as provided for the  
398 state sales tax; however, the local sales tax levied under this section shall not be levied on food purchased  
399 for human consumption or essential personal hygiene products, as such terms are defined in § 58.1-611.1.  
400 Any local sales tax imposed under this section shall be collected and distributed separately from any local  
401 general retail sales tax imposed under § 58.1-605.

402 E. All local sales tax moneys collected by the Tax Commissioner under this section shall be paid  
403 into the state treasury to the credit of a special fund that is hereby created on the Comptroller's books for  
404 each ~~qualifying locality~~ county or city under the name "Collections of Additional Local Sales Taxes in  
405 \_\_\_\_ (INSERT NAME OF THE ~~QUALIFYING LOCALITY~~ COUNTY OR CITY)." Each fund shall be  
406 administered as provided in § 58.1-605. A separate fund shall be created for each ~~qualifying locality~~  
407 county or city. Only local sales tax moneys collected in that ~~qualifying locality~~ county or city shall be  
408 deposited in that ~~locality's~~ county's or city's fund.

409 F. 1. As soon as practicable after the local sales tax moneys have been paid into the state treasury  
410 in any month for the preceding month, the Comptroller shall draw his warrant on the State Treasurer in  
411 the proper amount in favor of each ~~qualifying locality~~ county or city, and such payments shall be charged  
412 to the account of the ~~qualifying locality~~ county or city under its special fund created by this section. If  
413 errors are made in any such payment, or adjustments are otherwise necessary, whether attributable to  
414 refunds to taxpayers or to some other fact, the errors shall be corrected and adjustments made in the  
415 payments for the next two months as follows: one-half of the total adjustment shall be included in the  
416 payment for each of the next two months. In addition, the payment shall include a refund of amounts  
417 erroneously not paid to each ~~qualifying locality~~ county or city and not previously refunded during the  
418 three years preceding the discovery of the error. A correction and adjustment in payments described in  
419 this subsection due to the misallocation of funds by the dealer shall be made within three years of the date  
420 of the payment error.

421 2. Any county that contains a qualifying town shall pay into the qualifying town's treasury the  
422 proper proportionate revenues received by such county from levying the tax authorized by this section in  
423 the ratio that the school age population of such town bears to the school age population of the entire  
424 county. Such payments to a qualifying town shall be made as soon as practicable after receipt of funds by  
425 the county each month pursuant to subdivision 1. A qualifying town receiving revenues pursuant to this  
426 subdivision shall use such revenues solely for school capital projects as provided in this section for  
427 counties and cities.



428 G. The revenues from this tax shall be used solely for capital projects described in clauses (i) and  
429 (ii) for new construction or major renovation of schools in serving the qualifying locality county or city,  
430 including bond and loan financing costs related to such construction or renovation capital projects.  
431 Revenues from this tax may be used (i) for repayment of existing indebtedness incurred from capital  
432 projects that were begun or completed prior to the imposition of such tax or (ii) to finance capital projects  
433 after the imposition of such tax.

434 **§ 58.1-606.1. Additional local use tax; use of revenues for construction or renovation of**  
435 **schools.**

436 A.1. The governing body of a qualifying locality county or city may levy a use tax at the rate of  
437 such sales tax under § 58.1-605.1 to provide revenue for capital projects ~~for the construction or renovation~~  
438 ~~of schools in serving such locality county or city.~~ For the purposes of this section, "capital projects" means  
439 construction, additions, renovations, including retrofitting and enlarging public school buildings,  
440 infrastructure, including technology infrastructure, and site acquisition for public school buildings and  
441 facilities. Such tax shall be added to the rates of the state and local use tax imposed by this chapter and  
442 shall be subject to all the provisions of this chapter, and all amendments thereof, and the rules and  
443 regulations published with respect thereto, except that no discount under § 58.1-622 shall be allowed on  
444 a local use tax.

445 ~~2. Any tax imposed pursuant to this section shall expire (i) if the capital projects for the~~  
446 ~~construction or renovation of schools are to be financed by bonds or loans, on the date by which such~~  
447 ~~bonds or loans shall be repaid or (ii) if the capital projects for the construction or renovation of schools~~  
448 ~~are not to be financed by bonds or loans, on a date chosen by the governing body and specified in any~~  
449 ~~resolution passed pursuant to the provisions of subsection B. Such expiration date shall not be more than~~  
450 ~~20 years after the date of the resolution passed pursuant to the provisions of subsection B.~~

451 B. The governing body of the qualifying locality county or city, if it elects to impose a local use  
452 tax under this section may do so only if it has previously imposed the local sales tax authorized by § 58.1-  
453 605.1, by the adoption of an ordinance stating its purpose and referring to this section and providing that  
454 the local use tax shall become effective on the first day of a month at least 120 days after its adoption.

455 ~~Such ordinance shall state the date on which the use tax shall expire.~~ A certified copy of such ordinance  
456 shall be forwarded to the Tax Commissioner so that it will be received within five days after its adoption.

457 C. Any local use tax levied under this section shall be administered and collected by the Tax  
458 Commissioner in the same manner and subject to the same exemptions and penalties as provided for the  
459 state use tax; however, the local use tax levied under this section shall not be levied on food purchased for  
460 human consumption or essential personal hygiene products, as such terms are defined in § 58.1-611.1.

461 D. The local use tax authorized by this section shall not apply to transactions to which the sales  
462 tax applies, the situs of which for state and local sales tax purposes is the ~~locality~~ county or city of location  
463 of each place of business of every dealer paying the tax to the Commonwealth without regard to the  
464 ~~locality~~ county or city of possible use by the purchasers. However, the local use tax authorized by this  
465 section shall apply to tangible personal property purchased outside the Commonwealth for use or  
466 consumption within the ~~locality~~ county or city imposing the local use tax, or stored within the ~~locality~~  
467 county or city for use or consumption, where the property would have been subject to the sales tax if it  
468 had been purchased within the Commonwealth. The local use tax shall also apply to leases or rentals of  
469 tangible personal property where the place of business of the lessor is outside the Commonwealth and  
470 such leases or rentals are subject to the state tax. Moreover, the local use tax shall apply in all cases in  
471 which the state use tax applies.

472 E. Out-of-state dealers who hold certificates of registration to collect the use tax from their  
473 customers for remittance to the Commonwealth shall, to the extent reasonably practicable, in filing their  
474 monthly use tax returns with the Tax Commissioner, break down their shipments into the Commonwealth  
475 by counties and cities so as to show the county or city of destination. If, however, the out-of-state dealer  
476 is unable accurately to assign any shipment to a particular county or city, the local use tax on the tangible  
477 personal property involved shall be remitted to the Commonwealth by such dealer without attempting to  
478 assign the shipment to any county or city.

479 F. Local use tax revenue shall be deposited in the special fund established pursuant to subsection  
480 E of § 58.1-605.1. The Comptroller shall distribute the revenue to the ~~qualifying locality~~ county or city as  
481 provided in subsection F of § 58.1-605.1.

482 G. All revenue from this local use tax ~~revenue~~ shall be used solely for capital projects described  
483 in clauses (i) and (ii) for ~~new construction or major renovation~~ of schools in servicing the qualifying locality  
484 county or city, including bond and loan financing costs related to such construction or renovation.  
485 Revenues from this tax may be used (i) for repayment of existing indebtedness incurred from capital  
486 projects that were begun or completed prior to the imposition of such tax or (ii) to finance capital projects  
487 after the imposition of such tax.

488 **2. That any county or city that has imposed a local sales or use tax under § 58.1-605.1 or 58.1-606.1**  
489 **of the Code of Virginia, as amended by this act, as of June 30, 2024, and that wants to extend such**  
490 **local sales or use tax beyond the expiration date provided in the referendum imposing such local**  
491 **sales or use tax shall, prior to the expiration date of such local sales or use tax, receive approval of**  
492 **such extension in an additional referendum held in accordance with the provisions of § 58.1-605.1**  
493 **of the Code of Virginia, as amended by this act, and initiated by a resolution of the local governing**  
494 **body.**

495 #