

Sales Tax Exemptions

		Year Enacted	Year Amended	Rationale	Fiscal Impact	Surrounding States
	<b>Government &amp; Commodities 58.1-609.1</b>					
1	Motor vehicle fuels which are subject to the motor fuel and special fuel tax under 58.1-2200 et seq. "Motor fuel" generally means gasoline used in motor vehicles and aircraft. "Special fuel" generally means fuels other than motor fuel (e.g. diesel fuel, clean special fuels, #1 fuel oil, #2 fuel oil, kerosene, and jet fuel).	1966	1976 [if taxpayer received motor fuel tax refund, then sales and use tax applies]; 1995 [expanded to include any fuel subject to the fuel tax].	Prevent double taxation. <b>One of the original exemptions.</b>	\$182.4mil [1]	D.C., KY, MD, NC, WVA=Exempt and imposes a motor fuel tax; Tennessee=sales and use tax exempt, imposes a local motor fuel tax.
2	Sales, rentals and leases of motor vehicles, provided they are subject to the motor vehicle sales and use tax under 58.1-2400 et seq. (also known as the titling tax).	1966		Prevent double taxation. <b>One of the original exemptions.</b>	\$506.6mil [1]	D.C.=exempt sales of motor vehicles and trailers subject to another tax; KY=exempt sales of motor vehicles and semi-trailers; NC, TN=exempts the sales of motor vehicles, subject to titling and registration; WVA, MD=leases and sales exempt, rentals are subject to tax.
3	Gas, electricity or water when delivered to consumers through mains, lines or pipes.	1966		Consumer necessities. <b>One of the original exemptions.</b>	\$222.3mil [1]	D.C.=exempts residential gas and electricity; KY=exempts residential gas, electricity, and water, otherwise conditions apply; MD=exempts residential gas and electricity, water delivered through pipes and conduits is exempt; NC=exempts gas and electricity local sales tax, and water delivered by main lines and pipes; TN=exempts gas, electricity, and water for residential use only; WVA=exempts gas, electricity, and water through mains and pipes.
4	Purchases of tangible property with public funds by the United States, Virginia, and political subdivisions of Virginia.	1966	1999 [excludes property bought by the Commonwealth & its political subdivisions that is transferred to private business for use in private facility]; 2002 [technical].	States may not constitutionally impose a tax on the U.S. government or its instrumentalities (McCulloch v. Maryland). Because the sales and use tax is imposed by the state and its localities, the exemption prevents them from having to tax themselves and each other. <b>One of the original exemptions.</b>	\$47.44mil [1]	D.C.=exempts U.S. government and political subdivisions in the District; KY, MD=exempts U.S. government and state and political subdivisions; NC=exempts U.S. government, certain governmental entities receive a refund of state sales and use tax, and effective July 1, 2004, all state agencies exempt from state and local sales tax on items other than electricity and telecommunications if purchased for the agency's own use; TN=exempts U.S. government, the state of Tennessee, counties, and municipalities; WVA=exempts the U.S. government, the state of West Virginia, and all political subdivisions.
5	Sales, leases and rentals of aircraft, provided they are subject to the aircraft sales and use tax.	1974		Prevent double taxation.	\$3mil [1]	D.C., KY, WVA=not exempt; MD=exempts the sale of an aircraft used principally to cross state lines; NC=a rate of 3% applies to the sales of each aircraft including accessories, the maximum tax is \$1500 per article; TN=exempt from sales or use tax is the sale of aircraft owned or leased by commercial interstate or international air carriers.
6	Motor fuels and special fuels used in boats and ships, provided they are subject to the motor/special fuels tax under 58.1-2200, even though it may be refunded.	1977	1995 [expanded to include diesel & clean special fuels]; 2000 [technical].	Clarified the intent that the retail sales and use tax does not apply to fuels bought and used in boats or ships.	\$38,000 [1]	D.C.=imposes motor fuels tax; KY=exempts fuels consumed in the operation of ships and vessels which are used principally in the transportation of property or in the conveyance of persons for hire; MD=exempts sale of motor fuel that is subject to the motor fuel tax; NC=exempts sales of fuel for use or consumption by or on ocean-going vessels which ply the high seas in interstate or foreign commerce; TN=exempt; WVA=effective January 1, 2004, all sales of motor fuels that were subject to the flat rate tax component of the motor fuels excise tax are subject to the sales and use tax - it cannot be less than 5% of the average wholesale price of the motor fuel.
7	Sales by a government agency of the official flags of the U.S., Virginia, or of any county, city or town.	1979		Eliminate administrative burden and encourage sales of official flags by federal, state, and local governments.	Minimal [1]	D.C.=exempts all sales by the United States or the District; KY, NC=not exempt; MD=exempt; TN=non profit organizations exempt, if they make no money off of the sale; WVA=exempt as of 2003.

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8	Materials (reprints of Title 24.2, voter lists, statements of election results, and other official documents) furnished by the State Board of Elections.	1979		Eliminate administrative burden for State Board of Elections on its official documents.	Minimal [1]	D.C.=exempts all sales by the District; KY, NC, TN=not exempt; MD=exempts the sale of government documents by federal, state, or local government; WVA=exempts the sale of government documents.
9	Sales, leases and rentals of watercraft that are subject to the watercraft sales and use tax.	1981		Prevent double taxation.	\$7mil [1]	D.C.=all vessels exempt which are subject to the provisions of Article 29 of Police regulations; KY=imposes either a retail sales tax or watercraft sales tax-not exempt; MD=imposes sales tax; NC=a reduced watercraft rate of 3% applies to boats and the maximum tax is \$1500 per article; TN=imposes either retail sales tax or watercraft sales tax; WVA=subject to 6% sales tax.
10	Tangible personal property used in and about a marine terminal under the Virginia Port Authority's supervision for handling cargo, merchandise, freight and equipment.	1984	1990 [expanded to include operating susidiary, VIT].	Essential government functions.	\$50,000-\$500,000 [1]	D.C., NC=not exempt; KY=exempts the water use fee paid or passed through by facilities using water from the Kentucky River basin to the Kentucky River Authority; MD=exempt; TN=exempts sales made to the state of TN or any county or municipality within the state; WVA=exempts government purchases.
11	Sales of artwork by prisoners in state correctional facilities.	1982		Eliminate administrative burden and encourage sales of artistic products by state prisoners.	Minimal [1]	All=not exempt.
12	Tangible personal property used or consumed by the Department of the Visually Handicapped or any nominee (nonprofit corporation under contract with the department) involved in the work and placement of the blind.	1984		Extend the government exemption for state agency purchased to "nominees" of the Department for the Visually Handicapped in order to increase employment opportunities for blind individuals.	Minimal [1]	D.C.=exempts sales to the District; KY=exempts sales to any cabinet, department, bureau, commission, board or other statutory or constitutional agency of Kentucky; MD=exempts purchases and sales of government entities; NC=a governmental entity is allowed an annual refund of sales and use taxes paid by it on direct purchases of tangible personal property and services other than electricity and telecommunications services, and sales by blind merchants operating under supervision of the Department of Health and Human Services; TN, WVA=exempts government purchases.
13	Tangible personal property sold to residents and patients of the Virginia Veterans Care Canter at a canteen operated by the VA Veterans Care Center Board of Trustees.	1998	2003 [technical].	Eliminate administrative burden on a facility providing adult and nursing home care for Virginia residents who are veterans of the U.S. armed forces.	Minimal [2]	D.C., KY, MD, NC, TN=no similar exemption; WVA=only exempts sales made by canteens or snack bars located on a state military reservation or state training facility under the jurisdiction of an adjutant general.
14	Tangible personal property used or consumed by any nonprofit organization whose members include Virginia and other states and which is organized for the purpose of fostering interstate cooperation and excellence in government.	1999			Minimal [3]	All=N/A (nothing similar).
15	15. Tangible personal property purchased by any soil and conservation district.	2000			Unknown [4]	D.C., KY, NC, MD, WVA=N/A (nothing similar); TN=exempts sales to watershed districts for use and consumption by such districts.

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	Agricultural 58.1-609.2					
1	Tangible personal property used in agricultural production for market, e.g. feed, seeds, plants, fertilizers, livestock, animals, milking systems, farm machinery, etc..	1966	1979 [added worm farming]; 1989 [added rabbits & quail]; 1994 [added bees].	Items used by farmers become component parts of products subject to the sales tax; prevents double taxation of such items. <b>One of the original exemptions.</b>	\$46.5mil [1]	D.C.=not exempt; KY=exempts similar to VA; MD, TN=exempts most; NC=exempts most, taxes farm machinery at 1%, not to exceed \$80 per item; WVA=general exemption for agriculture.
2	Agricultural commodities or seafood sold for use in the process of preparing, finishing or manufacturing such agricultural or seafood commodities for ultimate retail sale.	1966	1994 [added products from bees and beekeeping].	Provides tax equity between agricultural processors and other processors. <b>One of the original exemptions.</b>	\$0 {qualify under resale or manufacturing exemptions} [1]	D.C., KY=not exempt; MD=seafood harvesting purposes exempt; NC=exempts similar to VA; TN=exempt; WVA= 11-15-9 (40) exempts the process of value adding/manufacturing.
3	Agricultural products produced and consumed by farmers and their families.	1966		Simplify administration. Revenues generated would not always offset the costs associated with collecting the tax. <b>One of the original exemptions.</b>	\$700,000 [1]	D.C., WVA=not exempt; KY=all food is exempt (except restaurants and food immediately consumable); MD=exempts all sales of agricultural products by a farmer; NC=no sales tax on products sold as a farmer; TN=exempt.
4	Tangible personal property used by commercial watermen in extracting fish, bivalves or crustaceans from waters for commercial purposes.	1972	1985 [codified Deparment policy to exempt commercial fishing vessels, repair & replacement parts]; 1986 [expanded to equipment and materials used by commercial waterman].	Provide similar exemption to that available to farmers, manufacturers, other businesses involved in producing products for resale.	\$500,000-\$1mil [1]	D.C.=only fuel exempt; KY=not exempt; MD, NC=exemption similar to VA; TN=exempts sales of tangible personal property to commercial marine vessels, and repairs; WVA=exempts aquaculture.
5	Tangible personal property used directly in making feed for sale or resale.	1979		Provide similar exemption to that available to farmers, manufacturers and other businesses involved in production of items for resale.	\$0 {also covered by industrial manufacturing and processing exemption} [1]	D.C.=not exempt; KY=feed itself is exempt; MD=exempts as manufacturing; NC=exempts sales tax for products of a farm; TN=exempt; WVA=exempts sales of tangible personal property used in connection with the commercial production of an agricultural product.
6	Tangible personal property used directly in harvesting forest products.	1984	1999 [broadened definition of harvesting of forest products to include operations prior to transport of harvested products].	Provide similar exemption to that available to farmers, manufacturers, and other businesses that produce items for resale.	\$2.3mil [1]	D.C., WVA=not exempt; KY=exempt as manufacturing, and exempts industrial machinery; MD=exempts similar to VA; NC=effective January 1, 2006, mill machinery and mill machinery parts and accessories that are subject to tax under a different article are exempt; TN=equipment used exclusively for harvesting timber is exempt.

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	Commercial & Industrial 58.1-609.3					
1	Tangible personal property purchased by a contractor, stored temporarily in Virginia, and used solely in another state or foreign country where it could be purchased free from sales tax.	1973		Levels playing field between Virginia construction materials suppliers and construction material suppliers in states where the construction site is located and the sales tax is not imposed on such materials.	\$73,000 [5]	D.C.=exempt; KY, WVA=not exempt; MD=contractors pay tax, then apply for refund; NC=exempts property purchased outside NC, stored temporarily in NC, and later used outside the state; TN=all tangible personal property in storage is exempt.
2	Industrial materials, machinery and tools, and their repair parts, fuel, power, energy and supplies used directly in manufacturing, processing or mining (i.e. manufacturing) products for sale.	1966	1994 [technical].	Recognizes industry's importance and encourages the development and growth of production facilities in the Commonwealth. <b>One of the original exemptions.</b>	\$294.4mil [5]	D.C.=taxes machinery, tools, supplies and packaging used in manufacturing as well as equipment and printing used to produce publications; KY=similar to VA except only for machinery for new and expanded industry; MD=as expansive as VA; NC=allows a refund; TN=similar to Virginia, but taxes fuel, power, and energy at a reduced rate; WVA=a refundable exemption for sales and services, machinery, supplies and materials directly used or consumed in the activities of manufacturing production of natural resources.
3	Tangible personal property purchased or leased by a public service corporation or common carrier of property and passengers by railway when used in providing public services.	1966	1978 [added railroads]; 2004 [eliminated telecommunications].	Public service provided to citizens of the Commonwealth. <b>One of the original exemptions.</b>	\$143.4mil [5]	D.C.=exempts telecommunication utility or public service company, exempts the sales of repair and replacement parts to a common carrier (railways), and exempts sales of personal property to a public service company; KY=exempts sales of tangible personal property to a common carrier; also exempts locomotives including materials for their construction, repair or modification, or fuel or supplies for the direct operation, used or to be used in interstate commerce; MD=exempts motor vehicle carriers in interstate commerce; NC=an interstate carrier is allowed a refund of part of sales and use taxes paid on lubricants, repair parts and accessories, and fuel; TN=no tax is imposed with respect to sales of tangible personal property to common carriers for use outside TN, and no tax on non-profit telecommunications co-ops; WVA=exempts sales of or charges for the transportation of passengers in interstate commerce and the refund of sales tax paid on sales of services, machinery, supplies and materials directly used in the activities of manufacturing transportation, and provision of a public utility service.
4	Ships and vessels as well as repairs and alterations to them and fuel and supplies, provided the ships and vessels are used exclusively or principally in interstate or foreign commerce.	1966	1996 [expanded to include dredges and their suporting equipment].	Promote interstate and foreign commerce and support Virginia's shipbuilding and port industries. <b>One of the original exemptions.</b>	\$8.2mil [5]	D.C.=sales of vessels subject to provisions of Article 29 and the use or storage within the District of tangible personal property owned and held by a common carrier for use principally without the District in the course of interstate Commerce, in or upon, or as part of any boat; KY=exempt similar to VA; MD=exempt; NC=sales of fuel and supplies exempt in interstate or foreign commerce; TN=exempts most and taxes fuel; WVA=exempts transportation of people in interstate commerce, refunds taxes paid for sales of services, machinery, and supplies directly used or consumed in the activities of transportation, and exempts common carrier shipping charges.
5	Tangible personal property used exclusively and directly in basic research or research and development in the experimental or laboratory sense.	1966	1980 [added basic research].	Encourage research and development of new products and processes and improvements of existing products and processes.	\$11.8mil [5]	D.C., KY. NC=not exempt; MD, WVA=exempt similar to Virginia; TN=exempts certain manufacturers.

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6	Tangible personal property sold to an airline operating intrastate, interstate, or foreign commerce as a common carrier providing regularly scheduled flights to Virginia airports.	1966	1972 [expanded to foreign airlines]; 1980 [expanded to intrastate airlines]; 1995 [requires airline service to VA airports at least one a week].	Encourage flight service to and from Virginia airports. <b>One of the original exemptions.</b>	\$36.6mil [5]	D.C.=exempts sales of food or drink, beverages of any nature if made in any aircraft within the District in the course of commerce between the District and a state; KY=aircraft, repair and replacement parts, supplies (except for fuel), for the direct operation of aircraft in interstate commerce and used exclusively for the conveyance of property or passengers for hire is exempt- nominal intrastate use is not enough to qualify for the exemption; MD=exempts sales of replacement parts or other tangible personal property to be used physically in on or by an aircraft; NC=sales of aircraft lubricants, aircraft repair parts and aircraft accessories, exempt receive a refund; TN=exempts aircraft parts and supplies for use exclusively in servicing or maintaining carriers' aircraft in interstate or international commerce, does not apply to fuel-applies only to tangible personal property primarily used in such businesses at the airport; WVA=exempts sales of aircraft repair, remodeling and maintenance services when the services are to an aircraft operated by a certified or licensed carrier of persons or property.
7	Meals furnished by restaurants or food service operators to employees as part of wages.	1978		Eliminate administrative burden.	\$6.3mil [5]	All=not exempt.
8	Tangible personal property purchased and used directly in preparing and maintaining textile products by an industrial processor engaged in the commercial leasing of laundered textile products.	1980		Provide exemption similar to that of industrial manufacturers and processor of items for sale.	\$1.6mil [5]	D.C., KY. WVA=not exempt; MD=exempts tangible personal property used directly and predominantly in a production activity (which includes laundering, maintaining or preparing textile products for rental) at any stage of operation on the production activity site from the handling of raw material or components to the movement of the finished product; NC=a 1% sales tax rate applies to sales of fuel, other than electricity, to commercial laundries or to pressing and dry cleaning establishments for use in machinery that is used directly in performing the laundering or the pressing and cleaning service-also sales to commercial laundries or to pressing and dry cleaning establishments of articles or materials used for the identification of garments being laundered or dry cleaned, wrapping paper, bags, hangers, starch, soaps, detergents, cleaning fluids and other compounds or chemicals applied directly to the garments in the direct performance of the laundering or the pressing and cleaning service; TN=dry cleaners can get a 50% credit for the sales and use tax paid on replacement equipment to meet emission control standards.
9	Certified pollution control equipment and facilities as defined in 58.1-3660.	1984	1995 [technical]; 1996 [extended sunset to 2001]; 2001 [extended sunset to 2006]; 2003 [added certification by state authority requirement].	Broadens manufacturing exemption so it applies to pollution control structures and pollution control activities owned other than by manufacturers.	\$4.9mil [5]	D.C., NC=not exempt; KY=just the facility is exempt; MD=exempts items required to conform to an air or water pollution law and normally considered part of real property; TN=chemicals and supplies used in pollution control facilities are exempt, and there is a 100% tax credit on anything used to bring pollution under control-also certain pollution control facilities are exempt; WVA=exempts the service of providing technical evaluations for compliance with federal and state environmental standards provided by environmental and industrial consultants who have formal certification through the WVA department of environmental protection or the WVA bureau for public health, or both.
10	Repair parts, tires, meters and dispatch radios sold or leased to taxicab operators for use on taxicabs.	1984	1987 [expanded to meters and dispatch radios].	Prevent decrease in taxicab operators offering service in Virginia.	\$498,000 [5]	D.C.=two-way radios for taxicab dispatch are exempt from tax; KY, MD, NC, TN, WVA=not exempt.

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11	High speed and other electrostatic duplicators used by persons primarily in the business of printing or photocopying products for sale.	1986		Provide same exemption as for traditional printers (manufacturing) because photocopy businesses traditionally deemed nonindustrial and ineligible for the manufacturing exemption in 58.1-609.3 (2).	\$248,000 [5]	D.C., KY, NC, WVA=not exempt; MD=exempt; TN=exempts machinery used in the printing business and prepress and press operations.
12	Raw materials, fuel, power, energy, supplies and machinery used directly in the drilling, extraction, refining, or processing of natural gas and oil.	1994	1996 [extended sunset to 2001]; 2001 [extended sunset to 2006].	Encourage the development and growth of the natural gas and oil production industry.	\$0 {also covered by the industrial manufacturing and mining exemption} [5]	D.C., MD=not exempt; KY=refining and extraction of natural gas and petroleum, supplies and industrial tools are exempt; NC=piped natural gas is exempt; TN=limited exemption for machinery; WVA=refundable exemption similar to VA.
13	Sale, lease, use, storage, consumption, or distribution of an orbital or suborbital space facility, space propulsion system, space vehicle, satellite, or space station of any kind possessing space flight capability and their components.	1997	2001 [extended sunset to 2005].	Encourage spaceport activities by the Virginia Commercial Space Flight Authority.	\$320,000-\$360,000 [6]	All=not exempt.
	Service-related 58.1-609.5					
1	(i) Professional and personal services that involve sales of goods as inconsequential elements; (ii) repair services for which a separate charge is made; and (iii) Internet access.	1966	1998 [added internet]; 2004 [expanded internet].	Administrative burden/distinguishing between personal property and service. <b>One of the original exemptions.</b>	\$808mil [7]	D.C., NC, WVA=exempts (i) and (iii); KY=exempts all three (exempts all services unless specifically designated as taxable); MD=(i), (ii) and (iii) exempt; TN=none exempt.
2	Remodeling services for property sold when there is a separate charge.	1966	1989 [technical].	Administrative burden/distinguishing between personal property and service. <b>One of the original exemptions.</b>	\$57.1mil {but duplicative of revenue impact for repair services above} [7]	D.C.=taxable; KY=exempts all services, unless specifically designated as taxable; MD=repairing an existing item is exempt; NC=exempt; TN=not exempt; WVA=not exempt, unless in fulfillment of a contract for construction.
3	Transportation charges separately stated.	1966	1989 [technical].	Viewed as subsequent to and independent of the sale. <b>One of the original exemptions.</b>	\$0.5mil [7]	D.C.=exempt; KY, MD=exempts any charges separately stated; NC, WVA=taxable; TN=if title passes to the buyer at the point of origin, freight and transportation charges are not subject to tax.
4	Clothing alteration services separately charged.	1979	1989 [technical].	Equity between alterations by clothing business and non-clothing business.	\$0.1mil [7]	D.C., MD, TN, WVA=not exempt; KY=exempts all services, unless specifically designated as taxable; NC=exempt.
5	Gift wrapping services by a nonprofit organization.	1980	1989 [technical].	Administrative burden.	Minimal [7]	D.C., KY, MD, TN, WVA=not exempt; NC=all sales by nonprofits exempt with certain conditions.

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6	Modification of prewritten computer programs separately charged.	1986	1989 [technical].	Response to technology; true object is service.	↑ \$53.7mil (includes both exemptions) [7] ↓	D.C., TN=taxable; KY, MD, NC=exempt; WVA=sales of data processing services are exempt.
7	Custom computer programs.	1986	1989 [technical].	Response to technology; true object is service.		D.C.=taxable; KY, MD, NC=exempt; TN=taxable effective July 1, 2005, computer software fabricated by a person for such person's own use and consumption will be exempt; WVA=custom programs directly used in communication is exempt (11-15-9h), and sales of electronic data processing services are exempt.
8	Rental of lodging for more than 90 continuous days.	1966	1989 [technical].	Equity w/permanent housing (real estate). <b>One of the original exemptions.</b>	Minimal [7]	D.C., NC, TN=exempts 90 days or more; KY, WVA=exempts 30 days or more; MD=not exempt.
9	One-half the cost of maintenance contracts that provide service and goods.	1994		Administrative burden. Do not know in advance what portion will be parts & what will be service.	Unknown [8]	D.C.=taxes with regard to the parts and materials, but not to the service-similar to VA; KY=exempt when billed separately from materials; MD=labor and service exempt when billed separately from materials; NC=exempts labor and installation services when billed separately from materials; TN=charges for warranty or service contracts warranting the property's repair or maintenance are taxed, but not any repairs to the extent covered by contract; WVA=sales tax not applicable to contracting services.
Media-related 58.1-609.6						
1	Leasing, renting or licensing of copyright audio or video tapes, and films for public exhibition at motion picture theaters or by licensed radio and television stations.	1976		Reaction to Dept. of Tax changing an administrative ruling from exempt to non-exempt.	\$1.7mil [7]	D.C.=gross proceeds from the rental of a film, records or any type of sound transcribing to theaters and radio and television broadcasting stations is not considered a retail sale, and therefore exempt; KY=exempts moneys paid for the lease or rental of films by commercial motion picture theaters when the lease or rental is for the sole purpose of use in the normal course of business; MD=exempts the rental of a motion picture, motion picture trailer, or advertising poster for display on theater premises by a person whose gross receipts from the activity related to the rental is subject to the admissions and amusement tax; NC=exempts the lease or rental of motion picture films used for exhibition purposes by an established business, and exempts the lease or rental of films, motion picture films, transcriptions and recordings to radio stations and T.V. stations operating under a certificate from the FCC; TN=exempt; WVA=exempts sales of motion picture films to motion picture exhibitors for exhibition if the sale of tickets or the charge of admission to the exhibition of the film is subject to the tax imposed by this article.
2	Broadcasting equipment used by radio and television companies and open video systems used by common carriers or video programmers.	1966	1980 [expanded to cable television]; 1995 [broadened to include common carriers or video programmers using a video dial tone platform]; 1997 [broadened exemption to include cable television systems & open video systems].	Level playing field w/print media. <b>One of the original exemptions.</b>	\$2.4mil [7]	D.C.=exempts sales of personal property purchased by a digital audio radio satellite service company operating under a digital audio radio satellite license granted by the FCC, and exempts sales of residential cable television service and commodities by a cable television company; KY, WVA=not exempt; MD=exempts the sale of film or video tape for uses only in television broadcasting by a television station that the FCC licenses specifically to broadcast to a city or town outside the state; NC=applies a special rate of 1% with a maximum tax of \$80/article to sales of broadcasting equipment, parts and accessories and towers to federally regulated commercial radio and television companies; TN=exempt.

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		Year Enacted	Year Amended	Rationale	Fiscal Impact	Surrounding States
3	Any publication issued daily, or regularly at average intervals not exceeding three months, but not including newsstand sales of such.	1966	1983 [expanded to advertising supplements]; 1995 [excluded newsstand sales or back publications from exemption].	Administrative burden. <b>One of the original exemptions.</b>	\$8-\$12mil [7]	D.C.=taxes the sale of or charge for any newspaper or publication; KY=periodicals printed on newsprint at least twice monthly are exempt; MD=exempts newspapers printed and distributed by the publisher at no charge, must be printed at least once a month; NC=exempts newspapers by newspaper street vendors, newspaper carriers, vending machines, and magazines delivered door-to-door; TN=exempts periodicals printed entirely on newsprint or bond paper and regularly distributed on a biweekly or more frequent basis; WVA=exempts newspapers when delivered to consumers by route carriers.
4	Printed materials (except administrative supplies, envelopes, containers and labels used for packaging and mailing same) when stored for 12 mos. or less in VA and distributed for use outside VA.	1976	1977 [added criteria re: (i) 12 mos. or less, (ii) distribution outside VA, and (iii) advertising for sale of personal property]; 1979 [expanded to include paper furnished to printers]; 1985 [(i) included other printed materials, (ii) removed criterion regarding advertising sale of personal property, and (iii) added sunset date of June 30, 1998]; 1994 [provided that out-of-state advertising businesses are not the final user of printing materials purchased from a VA printer]; 1995 [provided that no advertising business, in-state or out-of-state, shall be the final user of printing materials under certain conditions]; 1997 [extended sunset to 2002 for the amendment enacted in 1995 (see above)]; 2003 [extended sunset to 2004]; 2004 [extended sunset to 2008].	Encourage direct marketers, particularly those located outside VA, to use VA printers.	\$2.5mil [7]	D.C.=all tangible personal property stored in the District for no more than 90 days is exempt, if stored for the purpose of subsequently transporting the property outside the District for use solely outside the District; KY, MD, TN=exempt; NC=printed materials not exempt, but exempts packaging supplies; WVA=not exempt.
5	Advertising - Planning, creating, or placing of advertising in newspapers, magazines, billboards, broadcasting, and other media.	1985		Counteract a court decision imposing tax on the total charge for preparation of advertising.	\$8.1mil [7]	D.C.=not exempt; KY=exempts advertising supplements in newspapers; MD=exempts the sale of direct mail advertising literature that will be distributed outside the state; NC=exempts advertising supplements and any other printed matter ultimately to be distributed with or as part of a newspaper; TN=exempts advertising supplements or other printed matter distributed in newspapers, exempts direct mail advertising material distributed in TN from outside the state, includes discount coupons or leaflets for more than one business delivered by mail in a single package to customers; WVA=exempts sales of radio and television broadcasting time and preprinted advertising circulars, newspaper, and outdoor advertising space for the advertisement of goods and services.



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		Year Enacted	Year Amended	Rationale	Fiscal Impact	Surrounding States
6	Audiovisual works - The lease, rental, license, sale, or use of any audio or video tape, film, or other audiovisual work, when acquired for the purpose of licensing, distributing, broadcasting, or reproducing the work or incorporation into another work. The production of any such work or any portion thereof, and equipment used in such production.	1995	1997 [extended sunset to 2002]; 2002 [extended sunset to 2004]; 2004 [extended sunset to 2009].	To encourage the production of films in VA and to encourage national programmers and producers to establish operations in VA.	\$300,000 [9]	D.C., WVA=not exempt; KY=motion picture production companies filming or producing a film in state are allowed a refundable credit equal to the amount of Kentucky sales and use taxes paid on purchases made in connection with the filming or producing of motion pictures within KY; MD=exempts tangible personal property or a taxable service used in a film production activity by a film producer or production company (very extensive list of tangible personal property); NC=exempts sales of a/v masters made or used by a production company in making visual and audio images for first generation reproduction; TN=exempts motion picture production companies located outside the state if it shows that it has paid at least \$500,000 for goods and services in TN in filming, production in TN during a period of 12 months or less, and exemption is by way of a refund.
7	Educational materials when distributed by a book-publishing business free of charge to educators.	1998	2002 [extended sunset to 2004]; 2004 [extended sunset to 2008].	Very narrow suspension of the withdrawal from inventory doctrine.	\$110,000 [10]	All=no exemption.
	Miscellaneous 58.1-609.10					
1	Heating fuels used for non-business purposes.	1980		Consumer necessities.	\$14.9mil [11]	D.C., KY, MD, TN=exempt; NC=not exempt; WVA=exempts gas when delivered through mains and pipes and electricity, but taxes all other heating fuels.
2	Occasional sales (e.g. yard sales).	1966		Administrative burden. <b>One of the original exemptions.</b>	Unknown [11]	All border states have similar exemptions for occasional sales.
3	Leasebacks - Purchases of property that will be leased.	1966		Similar to resale to ultimate consumer. <b>One of the original exemptions.</b>	\$3.2mil [11]	D.C., MD, NC, TN, WVA=exempt; KY=exempt with resale exemption certificate.
4	Interstate Commerce/Export Factor - Property delivered outside VA for use outside VA.	1966	1981 [expanded to include intermediary in-state deliveries]	Compliance with Commerce clause; flow of commerce thru VA's ports. <b>One of the original exemptions.</b>	Unknown [11]	D.C.=exempts property delivered outside the District for use solely outside the district; KY=exempts property delivered outside the state for use solely in another state; MD=exempts a sale of tangible personal property intended solely for use in another state; NC=exempts tangible personal property purchased solely for export outside NC; TN=exempts imports and items produced and manufactured in TN for export; WVA=exempts tangible personal property purchased solely for the purpose of export.
5	Purchase made with Federal Food Stamp or WIC vouchers program.	1986		Required by Federal law.	\$22mil [11]	All=exempt as required by federal law.
6	Property used in the repair of nuclear power plants outside VA.	2000		Encourage out-of-state nuclear power plants to purchase repair parts from VA businesses.	Unknown [12]	All=not exempt.
7	Professional's provision of original, revised, edited, or copied documents to clients.	1997		True object is service.	Unknown [13]	All=not exempt.

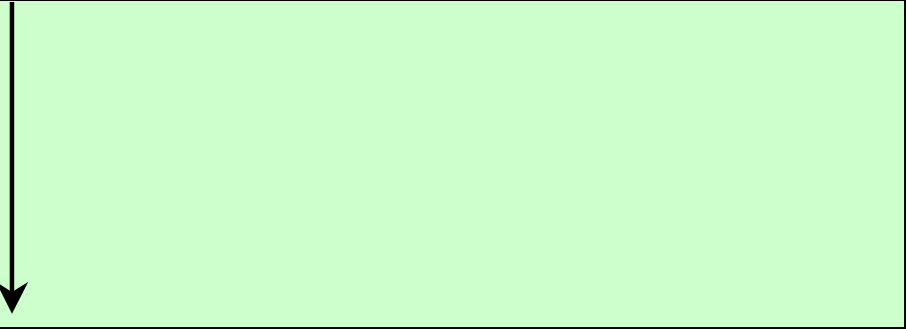
Sales Tax Exemptions

		Year Enacted	Year Amended	Rationale	Fiscal Impact	Surrounding States
8	School lunches subsidized by government, and school textbooks.	1966	1980 [expanded to include required textbooks sold by private dealer]; 2003 [technical].	Consumer necessities. <b>One of the original exemptions.</b>	\$9-\$10mil [5]	D.C.=exempts all sales by the US and the District; KY, NC, TN, WVA=exempt; MD=school lunches exempt, and sales to the school are exempt (including textbooks).
9	Prescription drugs.	1966	1972 [expanded to include drugs purchased by physician for use in his practice]; 1978 [expanded to include syringes, wheelchairs, & prescriptions by audiologists]; 1979 [expanded to include work orders from hearing aid dealers]; 1987 [expanded to include prescriptions by veterinarians]; 1995 [expanded to include prescriptions by nurse practitioners and nurse physicians]; 2003 [technical].	Consumer necessities. <b>One of the original exemptions.</b>	\$61mil [14]	D.C.=exempts all medicines, pharmaceuticals, and drugs whether or not made on prescriptions of duly licensed physicians and surgeons and general and special practitioners of the healing art; KY=exempts a drug purchased for the treatment of a human being for which a prescription is required by state or federal law (whether the drug is dispensed by a licensed pharmacist, administered by a physician or other health care provider, or free samples), insulin and diabetic supplies, colostomy, urostomy, and ileostomy supplies; MD=exempts sales of medicine; NC=exempts prescription medicines and nutritional supplements sold by a chiropractor at his/her office; TN=exempts ostomy products, oxygen, pharmaceutical samples, prescriptions drugs; WVA=exempts sales of drugs dispensed upon prescription and sales of insulin to consumers for medical purposes.
10	Durable medical equipment (e.g. wheelchairs, prosthetic devices).	1978	1980 [expanded to include insulin & insulin syringes]; 1982[expanded to include diabetic testing devices]; 1984 [expanded to include all durable equipment & defined 'durable equipment']; 2003 [technical].	Consumer necessities.	\$4.2mil [14]	D.C.=exempts sales of orthopedic devices, artificial human eyes, artificial limbs and their replacement parts, artificial hearing devices, mammary prostheses, false teeth, eyeglasses when specially designed or prescribed by an ophthalmologist, wheelchairs, crutches, canes, walkers, hospital beds, bedside commodes, patient lifts, urinals, respirators, etc.; KY=exempts prosthetic devices, crutches, walkers, wheelchairs, wheelchair lifting devices, and wheelchair repair and replacement parts; MD=exempts certain equipment including crutches, wheelchair, oxygen tent, and other equipment pursuant to explicit conditions; NC=exempts durable medical equipment and supplies sold on prescription, and prosthetic devices; TN=exempts any item necessary for the use or wearing of an artificial limb, wheelchairs, the sale or repair of prosthetics, orthotics, special molded orthopedic shoes, walkers, crutches, surgical supports, and effective July 1, 2005, the sales tax component parts of prescription eyewear (including replacement parts and industrial materials) also is exempt; WVA=exempts sales of durable medical goods, mobility enhancing equipment and prosthetic devices dispensed upon prescription and sales of insulin to consumers for medical purposes.
11	Dialysis supplies and drugs.	1984	2003 [technical].	Consumer necessities.	\$0.8mil [14]	D.C.=exempts all medicines, pharmaceuticals, and drugs whether or not made on prescriptions of duly licensed physicians and surgeons and general and special practitioners of the healing art-explicitly exempts all hemodialysis devices; KY=exempts drugs which require a prescription, but does not exempt dialysis supplies; MD=exempts drugs and devices, but taxes supplies; NC=exempts any medicines, equipment, and supplies sold on prescription; TN=not exempt; WVA=generally not exempt, but does exempt all drugs dispensed with a prescription.
12	Motor vehicle equipment for the disabled.	1978	2003 [technical].	Consumer necessities.	\$6,000 [14]	NC=exempt; All others=not exempt.
13	Typewriters/computers for the disabled in order to communicate (must be prescribed by physician).	1985	2003 [technical].	Consumer necessities.	Unknown [14]	TN=exempts computer software designed for the use in the treatment of individuals w/ a learning disability that is prescribed; All others=not exempt.

Sales Tax Exemptions

		Year Enacted	Year Amended	Rationale	Fiscal Impact	Surrounding States
14	Nonprescription drugs purchased for the treatment or prevention of disease.	1990	1992 [postponed effective date to July 1, 1994]; 1994 [postponed effective date to July 1, 1996]; 1996 [postponed effective date to July 1, 1998]; 2003 [technical].	Consumer necessities.	\$20mil [15]	D.C.=exempts all medicines, pharmaceuticals, and drugs whether or not made on prescriptions of duly licensed physicians and surgeons and general and special practitioners of the healing art; KY, NC, TN, WVA=not exempt; MD=exempt.
15	Property withdrawn from inventory and donated to a nonprofit entity or to state or local government.	1986	2003 [technical].	Encourage charitable donations from inventory.	\$11,000 [14]	D.C., KY, MD. WVA=not exempt; NC=exempts similar to VA; TN=exempts sales or use tax upon all tangible personal property or taxable services given or donated to any religious, educational and charitable institution.
	<b>Exemptions for Nonprofit Entities § 58.1-609.11</b>	1966 [nonprofit schools and hospitals]	Amended numerous times to add new exemption or extend sunset dates.	Many provide necessary & important services. <b>One of the original exemptions.</b>		
1	Grandfathers entities that were already exempt (with the duty to reapply on a rolling basis).	2003	2004 [technical].	Many provide necessary & important services that are rewarded or encouraged by the exemption.	Civic and cultureal entities =\$8.9mil [11]; Healthcare entities=\$50mil [14]; Educational entities=\$39mil. [5]; <b>Total=\$97.9mil.</b>	D.C.=exempts sales to an exempt IRC §501(c)(4) organization; KY=exempts sales to resident nonprofit educational, charitable, and religious institutions, which have qualified for income tax exemption under IRC § 501(c)(3), if the purchases are used solely within their functions; MD=exempts sales to a nonprofit under certain conditions (§11-104); and exempts sales by a nonprofit organization if it is a bona fide church, gift shop at a mental hospital, a hospital thrift shop, a vending facility operated under the Maryland Vending Program for the Blind or an elementary or secondary school in the State; NC=exempts sales by non-profit civic, charitable, educational, scientific, literary or fraternal organization when all of the conditions are met, and (§ 105-164.13) allows a semi-annual refund of sales and use taxes paid on direct purchases of tangible personal property by the nonprofit entity; TN=exempts sales to certain religious, educational and charitable institutions (67-6-322); WVA=exempts sales of property to churches that make no charge whatsoever for the services they render, also sales to a corporation or organization which has a current registration certificate and which is exempt from federal income taxes under IRC §501(c)(3) or IRC (c)(4), (11-15-9).
2	New exemptions will be granted administratively by the Tax Department to any nonprofit entity that meets certain criteria (e.g. exempt from federal taxation under § 501 (c) (3); annual administrative costs do not exceed 40% of gross revenue).	2003	2004 [technical].	Many provide necessary & important services that are rewarded or encouraged by the exemption.	7.7mil [16]	
	<b>Partial Exemption on food purchased for human consumption § 58.1-611.1</b>			Consumer necessities.		MD, NC, KY=exempt; TN. WVA=not exemot
	Reduced rates (total state and local tax).			Consumer necessities.		
	Current Rate 4%	1999	2002 [modified definition of food]; 2003 [technical].	Consumer necessities.	\$52.6mil [17]	

Sales Tax Exemptions

		Year Enacted	Year Amended	Rationale	Fiscal Impact	Surrounding States
	Rate effective July 1, 2005 3.5%	2004		Consumer necessities.	\$54mil (additional) [18]	
	Rate effective July 1, 2006 3.0%	2004		Consumer necessities.	\$54mil (additional) [18]	
	Rate effective July 1, 2007 2.5%	2004		Consumer necessities.	\$54mil (additional) [18]	

- 1-Virginia Sales and Use Tax Expenditure Study, December 1994, Dept. of Taxation.
- 2-1998 Fiscal Impact Statement for HB 131, Dept. of Taxation.
- 3-1999 Fiscal Impact Statement for HB 1571 and SB 829, Dept. of Taxation.
- 4-2000 Fiscal Impact Statement for SB 106 and SB 48, Dept. of Taxation.
- 5-Virginia Sales and Use Tax Expenditure Study, December 1995, Dept. of Taxation.
- 6-1997 Fiscal Impact Statement for HB 1948, Dept. of Taxation.
- 7-Virginia Sales and Use Tax Expenditure Study, December 1991, Dept. of Taxation.
- 8-1994 Fiscal Impact Statement for SB 28, Dept. of Taxation.
- 9-1995 Fiscal Impact Statement for HB 1512, Dept. of Taxation.
- 10-1998 Fiscal Impact Statement for HB 131, Dept. of Taxation.
- 11-Virginia Sales and Use Tax Expenditure Study, December 1993, Dept. of Taxation.
- 12-2000 Fiscal Impact Statement for HB 99, Dept. of Taxation.
- 13-1997 Fiscal Impact Statement for HB 1725, Dept. of Taxation.
- 14-Virginia Sales and Use Tax Expenditure Study, December 1992, Dept. of Taxation.
- 15-1996 Fiscal Impact Statement for SB 416.
- 16-2003 Fiscal Impact Statement for HB 2525.
- 17-1999 Fiscal Impact Statement for HB 1601.
- 18-2004 Special Session I Fiscal Impact Statement for HB 5018.