

SENATE BILL NO. _____ HOUSE BILL NO. _____

1 A BILL to amend and reenact §§ 58.1-3507, 58.1-3508.1, and 58.1-3518 of the Code of Virginia,
2 relating to machinery and tools tax; valuation based on depreciated basis for federal income tax
3 purposes.

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

5 **1. That §§ 58.1-3507, 58.1-3508.1, and 58.1-3518 of the Code of Virginia are amended and**
6 **reenacted as follows:**

7 § 58.1-3507. Certain machinery and tools segregated for local taxation only; notice prior to
8 change in valuation, hearing.

9 A. Machinery and tools, except machinery and equipment used by farm wineries as defined in §
10 4.1-100, used in a manufacturing, mining, water well drilling, processing or reprocessing, radio or
11 television broadcasting, dairy, dry cleaning or laundry business shall be listed and are hereby segregated
12 as a class of tangible personal property separate from all other classes of property and shall be subject to
13 local taxation only. The rate of tax imposed by a county, city or town on such machinery and tools shall
14 not exceed the rate imposed upon the general class of tangible personal property.

15 B. Machinery and tools segregated for local taxation pursuant to subsection A, other than energy
16 conservation equipment of manufacturers, shall be valued by means of depreciated cost or a percentage
17 or percentages of original total capitalized cost excluding capitalized interest; however, if the owner of
18 the machinery or tools placed in service on or after July 1, 2006, depreciates the value thereof for federal
19 income taxation purposes in a manner authorized under the Internal Revenue Code of 1986, then the
20 machinery or tools shall be valued at the depreciated basis of the machinery or tools for federal income
21 tax purposes as of the assessment date, as reflected on the income tax return of the owner filed for the
22 period that includes the assessment date. If the owner of machinery or tools placed in service prior to
23 July 1, 2006, depreciates the value thereof for federal income taxation purposes in a manner authorized
24 under the Internal Revenue Code of 1986, then the machinery or tools shall be valued:

25 1. For years in which the assessment date is on or after July 1, 2006, but before July 1, 2007, the
26 machinery or tools shall be valued at the sum of (i) four-fifths of the property's value obtained by the
27 means that was in effect on January 1, 2006, and (ii) one-fifth of the depreciated basis of the machinery
28 or tools for federal income tax purposes as of the assessment date, as reflected on the income tax return
29 of the owner filed for the period that includes the assessment date;

30 2. For years in which the assessment date is on or after July 1, 2007, but before July 1, 2008, the
31 machinery or tools shall be valued at the sum of (i) three-fifths of the property's value obtained by the
32 means that was in effect on January 1, 2006, and (ii) two-fifths of the depreciated basis of the machinery
33 or tools for federal income tax purposes as of the assessment date, as reflected on the income tax return
34 of the owner filed for the period that includes the assessment date;

35 3. For years in which the assessment date is on or after July 1, 2008, but before July 1, 2009, the
36 machinery or tools shall be valued at the sum of (i) two-fifths of the property's value obtained by the
37 means that was in effect on January 1, 2006, and (ii) three-fifths of the depreciated basis of the
38 machinery or tools for federal income tax purposes as of the assessment date, as reflected on the income
39 tax return of the owner filed for the period that includes the assessment date;

40 4. For years in which the assessment date is on or after July 1, 2009, but before July 1, 2010, the
41 machinery or tools shall be valued at the sum of (i) one-fifth of the property's value obtained by the
42 means that was in effect on January 1, 2006, and (ii) four-fifths of the depreciated basis of the machinery
43 or tools for federal income tax purposes as of the assessment date, as reflected on the income tax return
44 of the owner filed for the period that includes the assessment date; and

45 5. For years in which the assessment date is on or after July 1, 2010, the machinery or tools shall
46 be valued at the depreciated basis of the machinery or tools for federal income tax purposes as of the
47 assessment date, as reflected on the income tax return of the owner filed for the period that includes the
48 assessment date.

49 Whenever the commissioner of the revenue proposes to change the means of valuing machinery
50 and tools, excluding any change resulting in the valuation of machinery and tools at their depreciated
51 basis for federal income tax purposes, such proposed change shall be published in a newspaper having

52 general circulation in the affected locality at least 30 days before the proposed change would take effect
53 and the citizens of the locality shall be allowed to submit written comments, during the 30-day period, to
54 the commissioner of the revenue regarding the proposed change.

55 C. All motor vehicles which are registered pursuant to § 46.2-600 with the Department of Motor
56 Vehicles and owned by persons engaged in those businesses set forth in subsection A shall be taxed as
57 tangible personal property by the county, city or town in accordance with the provisions of this chapter.
58 All other motor vehicles and delivery equipment owned by persons engaged in those businesses set forth
59 in subsection A shall be included in and taxed as machinery and tools.

60 § 58.1-3508.1. Separate classification of machinery and tools used in semiconductor
61 manufacturing.

62 Machinery and tools used in semiconductor manufacturing shall constitute a classification for
63 local taxation separate from other classifications of machinery and tools as defined in § 58.1-3507. The
64 governing body of any county, city or town may levy a tax on such classification of property at a
65 different rate from the tax levied on other machinery and tools. The rate of tax and the rate of assessment
66 shall not exceed that applicable generally to machinery and tools. Machinery and tools used in
67 semiconductor manufacturing shall be valued as provided in subsection B of § 58.1-3507.

68 § 58.1-3518. Taxpayers to file returns.

69 Every taxpayer owning any of the property subject to taxation under this chapter on January 1 of
70 any year shall file a return thereof with the commissioner of the revenue for his county or city on the
71 appropriate forms; however, the commissioner of the revenue may elect not to require such a return
72 from any taxpayer who owns such property which does not have sufficient value to generate a tax
73 assessment. Every person who leases any of such property from the owner thereof on such date shall file
74 a return with the commissioner of the revenue of the county or city wherein such property is located
75 giving the name and address of the owner, except any person leasing a motor vehicle which is subject to
76 the tax imposed under § 58.1-2402. Such returns shall be filed on or before May 1 of each year, except
77 as otherwise provided by ordinance authorized by § 58.1-3916.

