

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 has depreciated the value thereof pursuant to § 179 of the Internal Revenue Code  
19 of 1986, then the machinery or tools shall be valued at the depreciated basis of the machinery or tools  
20 for federal income tax purposes.

21 Whenever the commissioner of the revenue proposes to change the means of valuing machinery  
22 and tools, excluding any change resulting in the valuation of machinery and tools at their depreciated  
23 basis for federal income tax purposes, such proposed change shall be published in a newspaper having  
24 general circulation in the affected locality at least 30 days before the proposed change would take effect

25 and the citizens of the locality shall be allowed to submit written comments, during the 30-day period, to  
26 the commissioner of the revenue regarding the proposed change.

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

32 § 58.1-3508.1. Separate classification of machinery and tools used in semiconductor  
33 manufacturing.

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

40 § 58.1-3518. Taxpayers to file returns.

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

50 Every fiduciary shall file the returns mentioned in this chapter with the commissioner of revenue  
51 having jurisdiction. Every taxpayer owning machinery and tools or business personal property, if

52 requested by the commissioner of the revenue, shall include on his annual return of such property  
53 information as to the total of original cost by year of purchase and information regarding the depreciated  
54 basis of the machinery or tools for federal income tax purposes. The cost should be the original  
55 capitalized cost or the cost that would have been capitalized if the expense deduction in lieu of  
56 depreciation was elected under § 179 of the Internal Revenue Code.

57 **2. That the provisions of this act shall be effective for taxable years beginning on or after January**  
58 **1, 2006.**

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