

July 20, 2004

Interested Party:

The Virginia Department of Taxation is authorized by HB 5018, enacted by the 2004 Special Session I of the Virginia General Assembly and signed by Governor Warner on June 3, 2004, to publish guidelines necessary to implement the repeal of the Retail Sales and Use Tax exemption under Va. Code § 58.1-609.3(3). Effective September 1, 2004, the exemption will be repealed for electric, gas and water utilities, telecommunications companies, telephone companies, and motor vehicle common carriers.

In order to solicit input to the process of drafting these guidelines, the Department of Taxation would like to meet with representatives of the affected companies. The meetings will be held on the following dates:

July 27, 2004 – Electric, gas and water utilities
July 28, 2004 – Telecommunications and telephone companies
July 30, 2004 – Motor vehicle common carriers

All meetings will be held at the Department's office at 2220 West Broad Street at 2:00 pm. For directions, call (804) 367-2423.

To facilitate the discussion, attached is a tentative agenda with a list of the issues that the Department has identified to date. In addition to accepting oral comments at these meeting, the Department encourages written comments to be submitted. All comments must be received by August 1, 2004.

The Department anticipates sending draft guidelines to the affected companies by August 16, 2004 and issuing final guidelines before September 1, 2004.

Sincerely,



Kenneth W. Thorson
Tax Commissioner

**Tentative Agenda
Public Service Corporation
Exemption Repeal Meetings**

- I. HB 5018 – Explanation
- II. Effective dates for repeal of exemption
- III. Issues identified to date:
 - A. Direct pay
 - B. Vendor notification
 - C. Front-end agreements
 - D. Inventory
 - E. Transitional rules
 - F. Other exemptions
 - G. Contractor's use tax
 - H. Incremental tax for surcharge - 4.5% or 5% ?
- IV. Other issues
- V. Timetable for guidelines