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## HOUSE BILL NO. 609

Offered January 14, 2026

Prefiled January 13, 2026

*A BILL to amend and reenact §§ 58.1-416, as it is effective and as it may become effective, 58.1-422.4, and 58.1-422.5, as it may become effective, of the Code of Virginia and to repeal the third enactment of Chapter 256 and the third enactment of Chapter 257 of the Acts of Assembly of 2022, relating to corporate income tax; sourcing of sales other than sales of tangible personal property.*

Patron—McNamara

## Committee Referral Pending

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

**1. That §§ 58.1-416, as it is effective and as it may become effective, 58.1-422.4, and 58.1-422.5, as it may become effective, of the Code of Virginia are amended and reenacted as follows:**

§ 58.1-416. (Contingent expiration date — See Editor's note) When certain other sales deemed in the Commonwealth.

A. Sales, other than sales of tangible personal property, are in the Commonwealth if:

1. The ~~income~~-producing activity is performed in the Commonwealth; or

2. The income-producing activity is performed both in and outside the Commonwealth and a greater proportion of the income-producing activity is performed in the Commonwealth than in any other state, based on costs of performance; the taxpayer's market for the sales is in the Commonwealth and the taxpayer's sales in the Commonwealth for the taxable year exceed \$100,000 in aggregate. Except as provided in subsections B and E, the taxpayer's market for sales is in the Commonwealth:

*1. In the case of sale, rental, lease, or licensing of real property, if and to the extent the property is located in the Commonwealth;*

2. In the case of sale of a service, if and to the extent that the benefit of the service is received at a location in the Commonwealth; and

3. a. In the case of intangible property that is rented, leased, or licensed, if and to the extent that the property is used in the Commonwealth. For purposes of this subdivision a, intangible property utilized in marketing a good or service to a consumer is "used in the Commonwealth" if that good or service is purchased by a consumer who is in the Commonwealth; and

*b. In the case of intangible property that is sold, if and to the extent that the property is used in the Commonwealth. For purposes of this subdivision b, (i) a contract right, government license, or similar intangible property that authorizes the holder to conduct a business activity in a specific geographic area is "used in the Commonwealth" if the geographic area includes all or part of the Commonwealth; (ii) receipts from intangible property sales that are contingent on the productivity, use, or disposition of the intangible property are treated as receipts from the rental, lease, or licensing of such intangible property under subdivision a; and (iii) all other receipts from a sale of intangible property are excluded from the numerator and denominator of the sales factor.*

**B. 4. B.** For debt buyers, as defined in § 58.1-422.3, sales, other than sales of tangible personal property, are in the Commonwealth if they consist of money recovered on debt that a debt buyer collected from a person who is a resident of the Commonwealth or an entity that has its commercial domicile in the Commonwealth. Such rule shall apply regardless of the location of a debt buyer's business.

2. For property information and analytics firms, as defined in § 58.1-422.4, that meet the requirements set forth in § 58.1-422.4, sales of services are in the Commonwealth if they are derived from transactions with a customer or client who receives the benefit of the services in the Commonwealth. Such rule shall apply regardless of the location of a property information and analytics firm's business operations.

C. The taxes under this article on the sales described under subsection B *this section* are imposed to the maximum extent permitted under the Constitutions of Virginia and the United States and federal law. For the collection of such taxes on such sales, it is the intent of the General Assembly that the Tax Commissioner and the Department assert the taxpayer's nexus with the Commonwealth to the maximum extent permitted under the Constitutions of Virginia and the United States and federal law.

D. 1. If necessary information is not available to the taxpayer to determine whether a sale other than a sale of tangible personal property is in the Commonwealth pursuant to the provisions of subsections B and C this section, the taxpayer may estimate the dollar value or portion of such sale in the Commonwealth, provided that the taxpayer can demonstrate to the satisfaction of the Tax Commissioner that (i) the estimate has been undertaken in good faith, (ii) the estimate is a reasonable approximation of the dollar value or portion of such sale in the Commonwealth, and (iii) in using an estimate the taxpayer did not have as a principal purpose the

59 avoidance of any tax due under this article. The Department may implement procedures for obtaining its  
60 approval to use an estimate. The Department shall adopt remedies and corrective procedures for cases in  
61 which the Department has determined that the sourcing rules for sales other than sales of tangible personal  
62 property have been abused by the taxpayer, which may include reliance on the location of income-producing  
63 activity and direct costs of performance as described in subsection A of this section, as it was in effect for  
64 taxable years beginning before January 1, 2027.

65 *2. In the case of a sale, other than the sale of tangible personal property, pursuant to a contract with the  
66 United States by a taxpayer that is a defense contractor as defined by 50 U.S.C. § 4552, where the location of  
67 the receipt of the benefit of the service cannot be determined under subsection A or B using a reasonable  
68 amount of effort undertaken in good faith, the taxpayer shall estimate the dollar value or portion of such sale  
69 in the Commonwealth using the Commonwealth's share of the total population of the relevant geographical  
70 market.*

71 *3. The population used in subdivision D 2 shall be the United States population as determined by the most  
72 recent United States census data as of the beginning of the taxable year. If it can be substantiated by the  
73 taxpayer that the service is being delivered to a location or intangible property is being materially used  
74 outside the United States, then the populations of those other countries' foreign jurisdictions or geographic  
75 areas where the service is being delivered or the intangible property is being materially used shall be added  
76 to the United States population.*

77 *E. 1. Notwithstanding any other provision of this section, a taxpayer that is a telecommunications  
78 company, as defined in § 58.1-400.1, may elect to assign sales, other than sales of tangible personal  
79 property, under subdivision E 3 for taxable years beginning on or after January 1, 2027, but before January  
80 1, 2033.*

81 *2. An election under this subsection shall be made on the taxpayer's return for the first taxable year for  
82 which the taxpayer is eligible for the election, and once made, an election under this subsection cannot be  
83 changed for subsequent years without approval in writing by the Tax Commissioner.*

84 *3. Sales, other than sales of tangible personal property, are in the Commonwealth if:*

85 *a. The income-producing activity is performed in the Commonwealth; or*

86 *b. The income-producing activity is performed both in and outside the Commonwealth and a greater  
87 proportion of the income-producing activity is performed in the Commonwealth than in any other state,  
88 based on costs of performance.*

89 **§ 58.1-416. (Contingent effective date — See Editor's note) When certain other sales deemed in the  
90 Commonwealth.**

91 *A. For taxable years beginning on and after January 1, 2027, salesSales, other than sales of tangible  
92 personal property, are in the Commonwealth if:*

93 *1. The income-producing activity is performed in the Commonwealth; or*

94 *2. The income-producing activity is performed both in and outside the Commonwealth and a greater  
95 proportion of the income-producing activity is performed in the Commonwealth than in any other state, based  
96 on costs of performance. the taxpayer's market for the sales is in the Commonwealth and the taxpayer's sales  
97 in Commonwealth for the taxable year exceed \$100,000 in aggregate. Except as provided in subsections B  
98 and E, the taxpayer's market for sales is in the Commonwealth:*

99 *1. In the case of sale, rental, lease, or licensing of real property, if and to the extent the property is  
100 located in the Commonwealth;*

101 *2. In the case of sale of a service, if and to the extent that the benefit of the service is received at a  
102 location in the Commonwealth; and*

103 *3. a. In the case of intangible property that is rented, leased, or licensed, if and to the extent that the  
104 property is used in the Commonwealth. For purposes of this subdivision a, intangible property utilized in  
105 marketing a good or service to a consumer is "used in the Commonwealth" if that good or service is  
106 purchased by a consumer who is in the Commonwealth; and*

107 *b. In the case of intangible property that is sold, if and to the extent that the property is used in the  
108 Commonwealth. For purposes of this subdivision b, (i) a contract right, government license, or similar  
109 intangible property that authorizes the holder to conduct a business activity in a specific geographic area is  
110 "used in the Commonwealth" if the geographic area includes all or part of the Commonwealth; (ii) receipts  
111 from intangible property sales that are contingent on the productivity, use, or disposition of the intangible  
112 property are treated as receipts from the rental, lease, or licensing of such intangible property under  
113 subdivision a; and (iii) all other receipts from a sale of intangible property are excluded from the numerator  
114 and denominator of the sales factor.*

115 *B. 1. B. For debt buyers, as defined in § 58.1-422.3, sales, other than sales of tangible personal property,  
116 are in the Commonwealth if they consist of money recovered on debt that a debt buyer collected from a  
117 person who is a resident of the Commonwealth or an entity that has its commercial domicile in the  
118 Commonwealth. Such rule shall apply regardless of the location of a debt buyer's business.*

119 *2. For property information and analytics firms, as defined in § 58.1-422.4, that meet the requirements set  
120 forth in § 58.1-422.4, sales of services are in the Commonwealth if they are derived from transactions with a*

121 customer or client who receives the benefit of the services in the Commonwealth. Such rule shall apply  
122 regardless of the location of a property information and analytics firm's business operations.

123 3. For Internet root infrastructure providers, as defined in § 58.1-422.5, sales of services are in the  
124 Commonwealth if they are derived from sales transactions with a customer or client who receives the benefit  
125 of the services in the Commonwealth. Such rule shall apply regardless of the location of an Internet root  
126 infrastructure provider's operations.

127 C. The taxes under this article on the sales described under subsection B *this section* are imposed to the  
128 maximum extent permitted under the Constitutions of Virginia and the United States and federal law. For the  
129 collection of such taxes on such sales, it is the intent of the General Assembly that the Tax Commissioner and  
130 the Department assert the taxpayer's nexus with the Commonwealth to the maximum extent permitted under  
131 the Constitutions of Virginia and the United States and federal law.

132 D. 1. If necessary information is not available to the taxpayer to determine whether a sale other than a sale  
133 of tangible personal property is in the Commonwealth pursuant to the provisions of subsections B and C *this*  
134 *section*, the taxpayer may estimate the dollar value or portion of such sale in the Commonwealth, provided  
135 that the taxpayer can demonstrate to the satisfaction of the Tax Commissioner that (i) the estimate has been  
136 undertaken in good faith, (ii) the estimate is a reasonable approximation of the dollar value or portion of such  
137 sale in the Commonwealth, and (iii) in using an estimate the taxpayer did not have as a principal purpose the  
138 avoidance of any tax due under this article. The Department may implement procedures for obtaining its  
139 approval to use an estimate. The Department shall adopt remedies and corrective procedures for cases in  
140 which the Department has determined that the sourcing rules for sales other than sales of tangible personal  
141 property have been abused by the taxpayer, which may include reliance on the location of income-producing  
142 activity and direct costs of performance as described in subsection A *of this section as it was in effect for*  
143 *taxable years beginning before January 1, 2027.*

144 2. *In the case of a sale, other than the sale of tangible personal property, pursuant to a contract with the*  
145 *United States by a taxpayer that is a defense contractor as defined by 50 U.S.C. § 4552, where the location of*  
146 *the receipt of the benefit of the service cannot be determined under subsection A or B using a reasonable*  
147 *amount of effort undertaken in good faith, the taxpayer shall estimate the dollar value or portion of such sale*  
148 *in the Commonwealth using the Commonwealth's share of the total population of the relevant geographical*  
149 *market.*

150 3. *The population used in subdivision D 2 shall be the United States population as determined by the most*  
151 *recent United States census data as of the beginning of the taxable year. If it can be substantiated by the*  
152 *taxpayer that the service is delivered to a location or intangible property is being materially used outside the*  
153 *United States, then the populations of those other countries' foreign jurisdictions or geographic areas where*  
154 *the service is being delivered or the intangible property is being materially used shall be added to the United*  
155 *States population.*

156 E. 1. *Notwithstanding any other provision of this section, a taxpayer that is a telecommunications*  
157 *company as defined in § 58.1-400.1 may elect to assign sales, other than sales of tangible personal property,*  
158 *under subdivision E 3 for taxable years beginning on or after January 1, 2027, but before January 1, 2033.*

159 2. *An election under this subsection shall be made on the taxpayer's return for the first taxable year for*  
160 *which the taxpayer is eligible for the election, and once made, an election under this subsection cannot be*  
161 *changed for subsequent years without approval in writing by the Tax Commissioner.*

162 3. *Sales, other than sales of tangible personal property, are in the Commonwealth if:*

163 a. *The income-producing activity is performed in the Commonwealth; or*

164 b. *The income-producing activity is performed both in and outside the Commonwealth and a greater*  
165 *proportion of the income producing activity is performed in the Commonwealth than in any other state, based*  
166 *on costs of performance.*

#### 167 § 58.1-422.4. Property information and analytics firms.

168 A. As used in this section:

169 "Authority" means the Virginia Economic Development Partnership Authority.

170 "Eligible city" means the City of Richmond.

171 "Memorandum of understanding" means a performance agreement or related document entered into by a  
172 property information and analytics firm and the Authority on or after December 1, 2021, but before August 1,  
173 2022, that sets forth the requirements for capital investments and the creation of new full-time jobs by such  
174 property information and analytics firm.

175 "Property information and analytics firm" means an entity and its affiliated entities that as of January 1,  
176 2022, is primarily a commercial real estate information and analytics firm with a location in an eligible city  
177 and that between January 1, 2022, and January 1, 2029 2027, is expected to (i) make or cause to be made a  
178 capital investment in an eligible city of at least \$414.45 million and (ii) create at least 1,785 new jobs with  
179 average annual wages of at least \$85,000 per job.

180 B. 1. For taxable years beginning on or after January 1, 2022, but before January 1, 2029 2027, a property  
181 information and analytics firm shall be subject to the provisions of subdivision B 2 of § 58.1-416 only if the  
182 Authority certifies to the Department that it has at least 1,000 full-time employees as of January 1, 2022, in

183 an eligible city, subject to the terms and conditions of the memorandum of understanding.

184 2. For taxable years beginning on or after January 1, 2029 2027, a property information and analytics firm  
185 shall be subject to the provisions of subdivision B 2 of § 58.1-416 only if the Authority certifies to the  
186 Department that it has at least 2,785 full-time employees as of January 1, 2029, in an eligible city, and from  
187 January 1, 2022, through December 31, 2028, has made or caused to be made a capital investment for its  
188 facilities in that eligible city of at least \$414.45 million. Once the Authority certifies a property information  
189 and analytics firm has met the job and capital investment requirements set forth in this subdivision, no  
190 additional certifications shall be required and the property information and analytics firm shall continue to be  
191 subject to the provisions of subdivision B 2 of § 58.1-416 in all future taxable years.

192 C. The General Assembly finds that the growth of property information and analytics firms, including the  
193 capital investment and new jobs spurred by such growth, is essential to the continued fiscal health of the  
194 Commonwealth. Accordingly, the provisions of subsections A and B relating to capital investment and new  
195 jobs are integral to the purpose of this section. If any provision of this section is for any reason held to be  
196 invalid or unconstitutional by the decision of a court of competent jurisdiction, that provision shall not be  
197 deemed severable.

**§ 58.1-422.5. (Contingent effective date — See Editor's note) Internet root infrastructure providers.**

A. As used in this section:

"Authority" means the Virginia Economic Development Partnership Authority.

"Eligible planning district" means Planning District 8.

"Internet root infrastructure provider" means an entity and its affiliated entities that is designated to  
203 operate one or more of the 13 Internet root servers of the Internet Assigned Names Authority (IANA) root  
204 and functions as the authoritative directory for one or more Top-Level Domains. This term does not include  
205 an Internet service provider, cable service provider, or similar company.

"Internet root server of the IANA root" means a Domain Name System server for one of the 13 root  
207 identities (A. - M.) that answers requests for the Domain Name System root zone of the Internet, redirecting  
208 requests for each Top-Level Domain to its respective nameservers.

"Memorandum of understanding" means a performance agreement or related document entered into by an  
210 Internet root infrastructure provider and the Authority on or after January 1, 2023, but before December 1,  
211 2023, that sets forth the requirements for commitments to the Commonwealth.

B. 1. For taxable years beginning on or after January 1, 2023, but before January 1, 2030 2027, an Internet  
213 root infrastructure provider shall be subject to the provisions of subdivision B 3 of § 58.1-416 only if the  
214 Authority certifies to the Department that the taxpayer has at least 550 full-time employees with an average  
215 annual salary of \$175,000 in an eligible planning district, has entered into a memorandum of understanding  
216 with the Authority, and has met the terms of such agreement.

2. For taxable years beginning on or after January 1, 2030 2027, if the Authority certifies to the  
218 Department that all requirements of the memorandum of understanding have been satisfied, no additional  
219 certifications shall be required, and the Internet root infrastructure provider shall continue to be subject to the  
220 provisions of subdivision B 3 of § 58.1-416 in future taxable years.

C. The General Assembly finds that the presence of the Internet root infrastructure provider industry is  
222 essential to the continued fiscal health of the Commonwealth. If any provision of this section is for any  
223 reason held to be invalid or unconstitutional by the decision of a court of competent jurisdiction, that  
224 provision shall not be deemed severable.

**2. That the provisions of this act shall be effective for taxable years beginning on and after January 1,  
226 2027.**

**3. That the third enactment of Chapter 256 and the third enactment of Chapter 257 of the Acts of  
227 Assembly of 2022 are repealed effective for taxable years beginning on and after January 1, 2027.**