

DEPARTMENT OF TAXATION

2004 Fiscal Impact Statement

1. **Patron** Mark L. Cole

2. **Bill Number** HB 1030

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Tangible Personal Property: Classifications
for Taxation

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would add privately owned trailers that are used for the transportation of farm animals or other farm products to the list of farm animals, grains and other feeds, farm machinery, and farm implements and equipment that a locality may, by ordinance exempt or tax at a different rate from tangible personal property taxation. The bill would also broaden the definition of privately owned trailers used to transport horses to include all farm animals, farm products and other farm equipment under a separate classification of tangible personal property that may be taxed at a different, not exceeding the general rate applicable to tangible personal property.

The effective date of this bill is not specified.

6. **No Fiscal Impact**

7. **Budget amendment necessary:** No.

8. **Fiscal implications:**

This bill would have no impact on state revenues. Taxing the tangible personal property in these classifications at a different rate than that applicable to the general class of tangible personal property is a local option. Therefore, it is not possible to determine the impact on local revenues.

9. **Specific agency or political subdivisions affected:**

All localities.

10. Technical amendment necessary: Yes.

As drafted, this bill would place the same property into two separate classifications, one that would allow the locality to exempt the property or to tax it at a different rate, and the other that would allow the locality to tax it at a different rate only. To avoid a possible conflict, the Department suggests the following technical amendment.

Page: 2

Line: 112

After: only

Strike: , and privately owned trailers as defined in § 46.2-100 that are designed and used for the transportation of ~~horses~~ *farm animals or other farm products, as enumerated in subdivisions A 1 through A 5 of § 58.1-3505*

11. Other comments:

Virginia Code § 58.1-3505(A) provides for the special classification of farm animals, grains and other feeds used for the nurture of farm animals, farm machinery, and farm implements and equipment for purposes of tangible personal property taxation. This bill would include privately owned trailers used to transport farm animals, feed grains and grain, tobacco, wine and other agricultural products. Under this section, localities may provide, by ordinance, for the exemption, partial exemption a special rate of taxation on any or all of the goods in this classification. Localities also may elect to tax any or all of these items at a rate not to exceed the rate applied to the general class of tangible personal property.

Virginia Code § 58.1-3506 provides for special classification of certain non-farm items of tangible personal property. These items may be taxed at a rate not to exceed that applicable to the general class of tangible personal property; however, such items may not be exempted from tax.

Under current law, *Virginia Code* § 58.1-3506(A)(16) provides a separate classification for camping trailers and privately owned travel trailers that are used for recreational purposes only and privately owned horse trailers. As drafted, this bill would amend this section to include trailers used to transport the same classes of farm animals as defined in *Va. Code* § 58.1-3505(A). However, under this classification, such trailers could not be exempted, only taxed at a rate lower than the general rate on tangible personal property. To avoid confusion, a technical amendment is suggested.

cc : Secretary of Finance

Date: 1/24/2004/SLR