

**DEPARTMENT OF TAXATION
2004 Fiscal Impact Statement**

1. **Patron** Ward L. Armstrong

3. **Committee** House Finance

4. **Title** Personal Property Tax Relief Act of 1998

2. **Bill Number** HB 1409

House of Origin:

 X Introduced

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would repeal the Personal Property Tax Relief Act of 1998 (the "PPTRA").

This bill would be effective January 1, 2005.

6. Fiscal Impact Estimates are: Tentative. (See Line 8.)

6a. Expenditure Impact: Department of Taxation

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2003-04	\$0	0	GF
2004-05	<\$325,000>	<5>	GF
2005-06	<\$400,000>	<5>	GF
2006-07	<\$400,000>	<5>	GF
2007-08	<\$400,000>	<5>	GF
2008-09	<\$400,000>	<5>	GF
2009-10	<\$400,000>	<5>	GF

6a. Expenditure Impact: Department of Motor Vehicles

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2003-04	\$0	SF
2004-05	\$0	SF
2005-06	\$14,012	SF
2006-07	<\$220,500>	SF
2007-08	<\$220,500>	SF
2008-09	<\$220,500>	SF
2009-10	<\$220,500>	SF

7. Budget amendment necessary: Yes

ITEM(S): 284 and 286, Department of Taxation
510, Personal Property Tax Relief Program

8. Fiscal implications:

Revenue Impact

This bill would have no impact on General Fund revenues, but would increase the amount of revenues available for other appropriations. It is estimated that this bill will eliminate PPTRA reimbursements to localities by \$226.2 million in Fiscal Year 2004, \$920.4 million in Fiscal Year 2005 and \$1 billion in Fiscal Year 2006 and thereafter.

Administrative Costs - Department of Taxation

This bill would eliminate the need for the Department of Taxation to audit the PPTRA, resulting in an administrative cost savings to the Department of \$325,000 in Fiscal Year 2005 and \$400,000 in Fiscal Year 2006 and thereafter.

Administrative Costs - Department of Motor Vehicles

This bill would eliminate the Department of Motor Vehicles' ("DMV") administration of the PPTRA. DMV would still need to reconcile all PPTRA disbursements that were made up until January 1, 2005. This task will not be completed until January 2006. DMV would incur costs of \$14,012 in Fiscal Year 2005 to implement systems changes as a result of this bill. In addition, DMV estimates that this bill will result in administrative costs savings to DMV of \$220,500 in Fiscal Year 2006 and thereafter. The three positions currently assigned to the administration of the PPTRA would be reassigned to other DMV functions.

9. Specific agency or political subdivisions affected:

Department of Motor Vehicles
Department of Accounts
Department of Taxation
All localities

10. Technical amendment necessary: None.

11. Other comments:

Personal Property Tax Relief Act of 1998

The PPTRA eliminates the tangible personal property tax imposed on the first \$20,000 of value on passenger cars, pickup or panel trucks, and motorcycles owned or leased by natural persons and used for nonbusiness purposes.

The tax was originally scheduled to be eliminated over five years with 12.5% of the tax eliminated in 1998, 27.5% in 1999, 47.5% in 2000, 70% in 2001, and 100% in 2002 and thereafter. The tax on vehicles valued at \$1,000 or less was completely eliminated in 1998. The amount of the tax relief is shown on the taxpayer's bill and the Commonwealth reimburses localities for the amount of the tax relief.

The PPTRA provides a mechanism for freezing the tax relief if the Commonwealth's revenue growth is insufficient. The percentage of tax relief is frozen at the current percentage of tax relief in effect if any one of three revenue growth tests is not met. The level of percentage will not increase if (1) actual General Fund revenues for a fiscal year are less than projected General Fund revenues by 0.5% or more; (2) forecasted General Fund revenue growth is less than 5% over the preceding fiscal year; or (3) General Fund revenues available for appropriation for either year of a biennial budget are projected to be less than the General Funds appropriated for such years. When revenue growth returns, the percentage of tax relief will increase to the next highest level of tax relief. The level of tax relief is currently frozen at 70%.

PPTRA Compliance Program

Language in the budget bill requires the Department, with cooperation from the DMV, the Department of Accounts and local officials, to develop and implement a comprehensive PPTRA compliance program to enhance taxpayer knowledge and compliance with the PPTRA and to ensure that relief under the PPTRA is only granted to qualifying vehicles. The program includes methods for educating motor vehicle owners, certifications from motor vehicle owners during any vehicle registration that the vehicle qualifies for relief, and a periodic audit of the personal property tax records of localities to ensure compliance with the PPTRA.

Other Legislation

HB 1287 would add two new triggers to the PPTRA before the percentage of the reimbursable amount for each qualifying vehicle under could be increased.

cc : Secretary of Finance

Date: 2/3/2004 dtm