

DEPARTMENT OF TAXATION

2004 Fiscal Impact Statement

1. **Patron** Riley E. Ingram

3. **Committee** House Finance

4. **Title** Personal Property Tax Relief Act of 1998;
Reimbursement Procedures

2. **Bill Number** HB 926

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would allow treasurers to apply to the Commonwealth for payment of the reimbursement amount due under the Personal Property Tax Relief Act of 1998 ("PPTRA") regarding a qualifying vehicle even though the vehicle owner has not paid the entire unreimbursed portion of the personal property tax assessment, if the balance owed by the vehicle's owner on the unreimbursed portion is \$20 or less.

Under current law, treasurers are not allowed to apply to the Commonwealth for payment of the reimbursement amount without first collecting the entire unreimbursed portion of the personal property tax assessment from the vehicle's owner. Currently, local treasurers are authorized to elect not to send a bill to taxpayers whose tax bill is \$20 or less.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

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

8. **Fiscal implications:**

Requiring the Commonwealth to make tax relief payments not required under current law, would increase the cost of the Personal Property Tax Relief Program by an unknown but significant amount. According to the Department of Motor Vehicles, approximately 4% of PPTRA reimbursements are made regarding vehicles with local property tax assessments that had been in delinquent status before being paid. The Department of Motor Vehicles does not know the number or amount of these accounts that were \$20 or less.

Allowing localities to collect the tax relief payment on qualifying vehicles without first collecting the entire unreimbursed portion of the personal property tax assessment from the vehicle's owner would have an unknown positive impact on local revenues.

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

All localities.

10. Technical amendment necessary: No.

11. Other comments:

Background

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 level of tax relief is currently frozen at 70%.

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. Under current law, treasurers are not allowed to apply to the Commonwealth for payment of the reimbursement amount without first collecting the entire unreimbursed portion of the personal property tax assessment from the vehicle's owner.

Proposal

This bill would allow treasurers to apply to the Commonwealth for payment of the reimbursement amount regarding a qualifying vehicle even though the vehicle owner has not paid the entire unreimbursed portion of the personal property tax assessment, if the balance owed by the vehicle's owner on the unreimbursed portion is \$20 or less.

cc : Secretary of Finance

Date: 1/24/2004 JEM