

Department of Planning and Budget 2006 Fiscal Impact Statement

1. Bill Number HB199

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Marshall, R.G.

3. Committee Finance

4. Title Sales and use tax and motor vehicle sales and use tax; definition of sale price.

5. Summary/Purpose: This bill reduces the sale price (i) for determining general sales and use tax by any cash rebates and (ii) for determining motor vehicle sales and use tax by any cash discount allowed and taken; any finance charges, carrying charges, service charges or interest from credit extended on sales of tangible personal property under conditional sale contracts or other conditional contracts providing for deferred payments of the purchase price; any separately stated local property taxes collected; or any cash rebates. Where used articles are taken in trade, or in a series of trades as a credit or part payment on the sale of new or used articles, the tax levied by this chapter shall be paid on the net difference between the sales price of the new or used articles and the credit for the used articles. The reductions in sale price for the motor vehicle sales and use tax (other than cash rebates) are the same reductions allowed for general sales and use tax under current law.

6. Fiscal Impact:

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2005-06	\$394,462	-	NGF
2006-07	-	-	-

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2005-06	-	-	-
2006-07	-\$96,200,000	-	NGF
2007-08	-\$106,800,000	-	NGF
2008-09	-\$107,800,000	-	NGF
2009-10	-\$110,300,000	-	NGF
2010-11	-\$111,200,000	-	NGF
2011-12	-\$112,700,000	-	NGF

7. Budget amendment necessary: Yes, Item 435.

8. Fiscal implications: Adjusting the sales price of a new or used vehicle by both the amount of cash rebates and the trade-in value would result in a significant reduction in motor vehicle sales tax collections. Pursuant to § 58.1-2425, the sales and use tax revenue collected by the

Department of Motor Vehicles (DMV) is allocated to the Virginia Department of Transportation (VDOT) solely for the construction, reconstruction and maintenance of highways and for the regulation of traffic on those highways. The depositories for these monies are the Transportation Trust Fund (TTF), which receives one-third of these revenues, and the Highway Maintenance and Operating Fund (HMOF), which receives two-thirds of the SUT revenues. The loss in revenue is estimated at \$96.2 million in fiscal year 2007 and \$106.8 million in fiscal year 2008.

The bill would also have a negative impact on the general fund. Including the term “cash rebates” in the definition of “sales price” under § 58.1-602 would result in a decrease in state and local sales tax collections, although the impact cannot be calculated.

In addition to an overall decrease in revenue, a one-time expenditure of \$394,462 will be needed to modify existing systems and applications, allowing DMV to meet the functional requirements of this bill. DMV does not have the cash necessary to support this legislation and additional resources will be required.

- 9. Specific agency or political subdivisions affected:** Aside from systems costs to DMV, VDOT is most significantly impacted by the reduction in funding for the TTF and HMOF.

10. Technical amendment necessary: No.

11. Other comments: None.

Date: 1/30/06 /jlv

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cc: Secretary of Transportation