

**Department of Planning and Budget  
2006 Fiscal Impact Statement**

**1. Bill Number:** HB 976

**House of Origin**     Introduced     Substitute     Engrossed

**Second House**     In Committee     Substitute     Enrolled

**2. Patron:** Suit

**3. Committee:** Passed Both Houses

**4. Title:** Sales and Use Tax Exemption for Military Personnel

**5. Summary/Purpose:** This bill modifies §58.1-2403(10) to allow military members who have registered their vehicles with the United States Armed Services to obtain an exemption from motor vehicle sales and use tax (SUT), provided they have owned the vehicle more than twelve months or paid sales and use tax to another state.

Enactment of this bill would address the disparate treatment, under the motor vehicle sales and use tax exemption statutes, of military personnel who have registered their vehicles with the U.S. Armed Services rather than in a state. Due to the way the law is currently structured, these military members are unable to obtain the same exemption for motor vehicle sales and use tax as others who are similarly situated, simply because their vehicle is not registered in another state.

The bill also amends subsection (16) to provide an SUT exemption to vehicles being acquired by a local government group self-insurance pool. This would provide the insurance pools the same exemption that is currently afforded to "insurance companies".

**6. Fiscal impact estimates are indeterminate.** DMV does not track the number of customers who present Armed Forces registration certificates nor the number of vehicles currently registered by self-insurance pools therefore, the revenue impact cannot be estimated. However, DMV anticipates the impact will be minimal, given that the exemption would apply to a very limited group of individuals. See Item #8 for additional information.

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

**8. Fiscal implications:** Pursuant to §58.1-2425, the revenue collected by DMV from the 3 percent motor vehicle sales and use tax 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, which receives one-third and the Highway Maintenance and Operating Fund, which receives two-thirds.

DMV does not track the number of customers who present Armed Forces registration

certificates, but DMV anticipates that this change will apply to a very limited group of individuals.

Additionally, the modifications to the exemption under subsection (16) to include vehicles acquired by a local government group self-insurance pool pursuant to total loss claims is a limited group of vehicles. A representative of the self-insurance pool estimates that about 15 vehicles per year, with an approximate value of \$8,500 each, are obtained by the pool as total loss vehicles. Based upon these figures, the impact to SUT revenue would be approximately \$3,825.

**9. Specific agency or political subdivisions affected:** Virginia Department of Transportation, Department of Motor Vehicles.

**10. Technical amendment necessary:** None.

**11. Other comments:** None.

**Date:** 3/17/06/jlv

**Document:** G:\06-08\FIS\DMV\HB976ER.Doc Janet Vogelgesang

cc: Secretary of Transportation