

Department of Planning and Budget 2006 Fiscal Impact Statement

1. Bill Number: HB5040

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Marshall

3. Committee: Pending

4. Title: Motor vehicle sales and use tax; basis and rate

5. Summary/Purpose: This bill reduces the sale price for determining motor vehicle sales and use tax by (i) the credit given by the seller for any motor vehicle taken as a trade-in, and (ii) the amount of cash discount or rebate given by the seller or the manufacturer. The bill also increases the motor vehicle sales and use tax rate from 3 percent to 4.5 percent.

6. Fiscal impact estimates are preliminary.

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2006-07	61.0 million	-	NGF
2007-08	146.4 million	-	NGF
2008-09	161.4 million	-	NGF
2009-10	163.6 million	-	NGF
2010-11	164.6 million	-	NGF
2011-12	167.2 million	-	NGF

7. Budget amendment necessary: Yes, Items 443 and 444.

8. Fiscal implications: The bill will alter the calculation of motor vehicle sales and use tax (SUT) by modifying the definition of "sale price" as stated in Virginia Code §58.1-2401, to incorporate a deduction for the value of any credit given by the seller or manufacturer for a trade-in, cash discount, or cash rebate, thus reducing the monetary amount subject to the SUT.

Despite incorporation of these credits, passage of this bill would increase revenue collected for highway/transportation construction, maintenance, and operation by increasing the SUT rate from 3 percent to 4.5 percent. Pursuant to §58.1-2425, the SUT revenue collected by the Department of Motor Vehicles is allocated to the Virginia Department of Transportation 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 1/3 of the SUT revenues and the Highway Maintenance and Operating Fund, which receives the remaining 2/3 of revenues.

Estimates provided by the Department of Taxation indicate that collection of a 4.5 percent SUT on the basis of the final sale price less credits for trade-ins, cash discounts, and rebates given by a seller or manufacturer would increase total revenues by the amounts presented above. It should be noted that since the bill does not reflect a July 1, 2007 enactment date, FY 2007 revenue was estimated based on 5/12 of the full fiscal year 2008 data.

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

10. Technical amendment necessary: No.

11. Other comments: This bill addresses any potential revenue loss created by providing credits by increasing the SUT rate. An SUT rate of 3.5 percent, equivalent to a .5 percent increase, would equalize the revenue impact of allowing for trade-in and cash rebate credits.

Date: 9/21/06/jlv

Document: G:\06-08\Fis\2006 Special Session I\Hb5040.Doc Janet Vogelgesang

cc: Secretary of Transportation