

**DEPARTMENT OF TAXATION
2007 Fiscal Impact Statement**

1. Patron C. Charles Caputo

2. Bill Number HB 1880

3. Committee Passed Senate and House

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

4. Title Personal Property Tax; Motor Vehicle Held in Trust

Second House:

☐ In Committee

☐ Substitute

☒ Enrolled

5. Summary/Purpose:

This bill would expand the Personal Property Tax Relief Act definition of "qualifying vehicle" to include motor vehicles that are held in a private trust for nonbusiness purposes by an individual beneficiary.

The effective date of this bill is not specified.

6. No Fiscal Impact (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

TAX would incur no costs in the implementation of this bill.

As the amount of money the Commonwealth reimburses localities for personal property tax relief is currently capped at \$950 million, this proposal would have no impact on state or local revenues. Each locality's share of the \$950 million state reimbursement is based upon its share of the total state reimbursement for tax year 2005. As this proposal would increase the number of vehicles qualifying for personal property tax relief with no increase in the amount of total state reimbursement, the average reimbursement for each vehicle would decrease.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No.

11. Other comments:

Personal Property Tax Relief Act of 1998

The PPTRA originally was intended to eliminate 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 was shown on the taxpayer's bill and the Commonwealth reimburses localities for the amount of the tax relief.

The PPTRA provided a mechanism for freezing the tax relief if the Commonwealth's revenue growth is insufficient. The percentage of tax relief was frozen at the current percentage of tax relief in effect if any one of three revenue growth tests was not met. When revenue growth was sufficient, the percentage of tax relief increased to the next highest level of tax relief. The level of tax relief never exceeded 70%.

Senate Bill 5005

Senate Bill 5005 (Chapter 1, 2004 Special Session I) changed the personal property tax relief program for motor vehicles. The state currently distributes \$950 million annually to localities as reimbursement for the personal property tax relief provided by each locality. Each locality's share of the \$950 million state reimbursement for tax year 2006 and subsequent tax years is based upon its share of the total state reimbursement for tax year 2005.

Qualifying Vehicles

Qualifying vehicles are currently defined to include any passenger car, motorcycle, and pickup or panel truck that is determined to be (i) privately owned or (ii) leased pursuant to a contract requiring the lessee to pay the tangible personal property tax on such vehicle. All-terrain vehicles and off-road motorcycles titled with the Department of Motor Vehicles are not qualifying vehicles.

Proposal

This bill would expand the Personal Property Tax Relief Act definition of "qualifying vehicle" to include motor vehicles that are held in a private trust for nonbusiness purposes by an individual beneficiary.

Other Legislation

House Bill 2975 would require commissioners of revenue to rely upon the registration of the vehicle and certificate of title by the Department of Motor Vehicles ("DMV") in determining whether privately owned or leased vehicles qualify for tax relief under the

Personal Property Tax Relief Act ("PPTRA"), unless the commissioner has information that DMV's registration information is incorrect or incomplete.

cc : Secretary of Finance

Date: 2/23/2007 AM

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