

**DEPARTMENT OF TAXATION  
2008 Fiscal Impact Statement**

1. **Patron** Harry R. Purkey

2. **Bill Number** HB 361

3. **Committee** Passed House and Senate

**House of Origin:**

☐ Introduced

☐ Substitute

☐ Engrossed

4. **Title** Motor Vehicle Repair Tax; Towing and  
Emergency Roadside Services

**Second House:**

☐ In Committee

☐ Substitute

☒ Enrolled

**5. Summary/Purpose:**

This bill would provide that the sales and use tax on motor vehicle repairs authorized to be imposed in the Northern Virginia Transportation Authority ("NVTa") and the Hampton Roads Transportation Authority ("HRTA") would not include charges for towing and the provision of emergency road services on any highway of the Commonwealth.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

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

**8. Fiscal implications:**

Administrative Costs Impact

TAX considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

As charges for towing and the provision of emergency road services on any highway of the Commonwealth would be excluded from the sales and use tax on motor vehicle repairs, this bill would have a negative revenue impact on the Hampton Roads Transportation Authority and the Northern Virginia Transportation Authority. As census data does not separate repairs into emergency and non-emergency repairs, the amount of this impact is unknown.

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

Hampton Roads Transportation Authority  
Northern Virginia Transportation Authority

**10. Technical amendment necessary: No.**

**11. Other comments:**

Background

House Bill 3202 (*Acts of Assembly* 2007, Chapter 896) authorized the Hampton Roads Transportation Authority and the Northern Virginia Transportation Authority ("an Authority") to impose in their member localities a sales and use tax at the rate of 5 percent on (i) charges for separately stated labor or services in the repair of motor vehicles and (ii) charges for the repair of a motor vehicle in cases in which the true object of the repair is a service provided within an Authority. TAX administers the Motor Vehicle Repair Labor and Services Sales and Use Tax and remits the revenues collected monthly to the respective Authority minus the direct costs of administration.

The Hampton Roads Transportation Authority embraces the Cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg and the Counties of Isle of Wright, James City, and York. The Hampton Roads Transportation Authority voted to impose the 5 percent sales and use tax on motor vehicle repairs effective April 1, 2008. The Hampton Roads Transportation Authority has subsequently postponed the effective date of the tax to May 1, 2008.

The Northern Virginia Transportation Authority embraces the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park and the Counties of Arlington, Fairfax, Loudoun, and Prince William. The Northern Virginia Transportation Authority began imposing the 5 percent sales and use tax on motor vehicle repairs on January 1, 2008.

Currently, the Guidelines and Rules for the Motor Vehicle Repair Labor and Services Sales and Use Tax ("Guidelines") provide that incidental repair services such as towing are subject to the Repair Tax. Although charges for towing a motor vehicle in connection with a taxable repair service to a provider of repair services are subject to the Repair Tax, other towing charges are not subject to the Repair Tax. Currently, the Guidelines make no distinction between the provision of emergency road services on highways and the provision of any other repair service.

Proposal

This bill would provide that the sales and use tax on motor vehicle repairs authorized to be imposed in the Northern Virginia Transportation Authority and the Hampton Roads Transportation Authority would not include charges for towing and the provision of emergency road services on any highway of the Commonwealth. Highway would be defined as in *Va. Code* § 46.2-100:

[T]he entire width between the boundary lines of every way or place open to the use of the public for purposes of vehicular travel in the Commonwealth, including the streets and alleys, and, for law-enforcement purposes, (i) the entire width between the boundary lines of all private roads or private streets that have been specifically designated "highways" by an ordinance adopted by the governing body of the county, city, or town in which such private roads or streets are located and (ii) the entire width

between the boundary lines of every way or place used for purposes of vehicular travel on any property owned, leased, or controlled by the United States government and located in the Commonwealth.

#### Other Legislation

**House Bill 579** would provide a dealer discount to compensate dealers with a percentage of the sales and use tax on motor vehicle repairs collected by the dealer.

cc : Secretary of Finance

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