

Department of Planning and Budget 2008 Fiscal Impact Statement

1. Bill Number: SB291

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Herring

3. Committee: Senate Transportation

4. Title: **Company vehicles of automotive manufacturers.**

5. Summary: The proposed legislation would provide for specialized registration and titling of company vehicles of automotive manufacturers. These vehicles would also be exempt from the motor vehicle sales and use tax. The proposed exemption was utilized to encourage Volkswagen of America to establish its headquarters facility in Northern Virginia. The company presently receives a similar benefit from its current home state

6. Fiscal Impact Estimates: Preliminary. See Item 8.

7. Budget Amendment Necessary: Yes. Items 437, 441, 449, 455, and 464.

8. Fiscal Implications: Under the provisions of the bill, automobile manufacturers with headquarters located in Virginia are exempt from titling taxes and registration fees on company vehicles. This would include vehicles operated for business, personal and family purposes as provided by company policy. The company policy of Volkswagen of America authorizes up to four vehicles per employee. It is not known how many employees will take advantage of the program, and the number of vehicles each employee may utilize. The table below shows the potential reduction amount on the motor vehicle sales and use tax and registration fee revenues, using a figure of 500 vehicles.

Fiscal Year	Number of vehicles	Motor Vehicle Sales and Use Tax	Registration Fee	Total
2009	500	\$397,729	\$19,750	\$417,479
2010	500	\$407,888	\$19,750	\$427,638
2011	500	\$418,046	\$19,750	\$437,796
2012	500	\$428,205	\$19,750	\$447,955
2013	500	\$438,364	\$19,750	\$458,114
2014	500	\$448,522	\$19,750	\$468,272

Under existing statute the motor vehicle sales and use tax revenue is divided between the Transportation Trust Fund and the Highway Maintenance and Operating Fund. In addition, the Governor's proposed budget authorizes the Department of Motor Vehicles to recover collection expenses by withholding one-half percent of the total tax prior to the distribution to the two funds. The amounts shown in the table above for the motor vehicle sales and use tax

would need to be removed from the amounts appropriated in the budget for the Transportation Trust Fund and the Highway Maintenance and Operating Fund.

Proceeds from the registration fee are currently distributed to the Department of Transportation, the Department of Motor Vehicles, the Department of Health, and the Virginia State Police. As the headquarters facility will be located in Northern Virginia, a portion of the registration fee would have also supported the Northern Virginia Transportation Authority. The registration fee revenue reductions shown in the table above would need to be taken from appropriation associated with these revenues.

The Governor has proposed executive amendments to accommodate these revenue reductions.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Transportation, Department of Rail and Public Transportation, Department of Aviation, Virginia Port Authority, Department of Motor Vehicles, Northern Virginia Transportation Authority, Department of Health, Virginia State Police

10. Technical Amendment Necessary: None.

11. Other Comments: The bill is identical to HB833.

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cc: Secretary of Transportation