

## Department of Planning and Budget 2008 Fiscal Impact Statement

**1. Bill Number:** SB291

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

**2. Patron:** Herring

**3. Committee:** House Appropriations

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

**5. Summary:** The proposed legislation would provide for specialized titling of company vehicles of automotive manufacturers. These vehicles would 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 would be issued a motor vehicle dealer license, and would be exempted from the fees associated with the issuance of titles for company vehicles. The bill would allow special license plates to be placed on company vehicles, including vehicles operated by employees for business, personal, and family purposes as provided by company policy. The company policy of Volkswagen of America authorizes each employee to annually lease up to four vehicles. It is not known how many employees will take advantage of the program and the number of vehicles each employee may utilize. The following table shows the potential impact of the legislation, using a figure of 800 vehicles.

The bill authorizes the automobile manufacturer to dispose of the vehicles using a manufacturer's certificate of origin, although if the vehicles are disposed of in Virginia, the vehicles may only be transferred to new motor vehicle dealers holding a franchise for the automotive manufacturer's line-make. When the vehicles are resold by the new motor vehicle dealers, the Commonwealth will collect titling tax.

The vehicles would still need to be registered in the Commonwealth. The following table shows the anticipated fiscal impact of this legislation.

| Fiscal Year | Number of Vehicles | Exempt MV Sales and Use Tax | MV Sales and Use Tax from Resale | Net Motor Vehicle Sales and Use Tax | Registration Fee | Total       |
|-------------|--------------------|-----------------------------|----------------------------------|-------------------------------------|------------------|-------------|
| 2009        | 800                | (\$636,366)                 | \$0                              | (\$636,366)                         | \$31,600         | (\$604,766) |
| 2010        | 800                | (\$652,620)                 | \$554,727                        | (\$97,893)                          | \$31,600         | (\$66,293)  |
| 2011        | 800                | (\$668,874)                 | \$568,543                        | (\$100,331)                         | \$31,600         | (\$68,731)  |
| 2012        | 800                | (\$685,128)                 | \$582,359                        | (\$102,769)                         | \$31,600         | (\$71,169)  |
| 2013        | 800                | (\$701,382)                 | \$596,175                        | (\$105,207)                         | \$31,600         | (\$73,607)  |
| 2014        | 800                | (\$717,636)                 | \$609,990                        | (\$107,645)                         | \$31,600         | (\$76,045)  |

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 net 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 also supports the Northern Virginia Transportation Authority.

The Governor has proposed executive amendments to accommodate the 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 similar to HB833.

**Date:** 2/13/2008 dpb/smc

**Document:** G:\GA\FIS 2008\SB291S1.doc

cc: Secretary of Transportation