

# DEPARTMENT OF TAXATION

## 2012 Fiscal Impact Statement

1. **Patron** C. Matt Fariss

2. **Bill Number** HB 743

3. **Committee** House Finance

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Tangible Personal Property Tax; Localities  
May Exempt Farm Utility Vehicles

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would add farm utility vehicles primarily used by farmers in transporting farm animals or other farm products to the list of farm property that a locality may, by ordinance, exempt or tax at a different rate than that applicable to the general class of tangible personal property.

Under current law, farm animals, grains and other feeds, agricultural products, farm machinery, and farm implements are defined as separate items of taxation for purposes of the tangible personal property tax. Localities are authorized to exempt such items from tax or to tax them at a different rate than the rate applicable to the general class of tangible personal property. Currently, farm utility vehicles do not qualify for this treatment.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.

7. **Fiscal Impact:** Not available. (See Line 8.)

**8. Fiscal implications:**

This bill would have no impact on state revenues. To the extent that localities exercise the option to either exempt or tax farm utility vehicles at a lower rate than that applicable to the general class of tangible personal property, this bill would result in a local decrease in tangible personal property tax revenue, the magnitude of which is unknown.

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

All localities

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

## 11. Other comments:

Current law grants cities, counties and towns the authority to levy taxes on the tangible personal property of businesses and individuals. Motor vehicles, business furniture and fixtures, farming equipment, trailers, boats, recreational vehicles, and campers are among the types of items that are subject to tangible personal property tax.

Virginia Code § 58.1-3505(A) provides for the special classification of farm animals, grains and other feeds used for the nurture of farm animals, farm machinery, and farm implements and equipment for purposes of tangible personal property taxation. The *Virginia Code* provides a specified list of classifications, including various types of farm machinery, such as farm machinery and implements used by farm wineries; certain equipment used by farmers to manufacture industrial ethanol; farm machinery designed solely for planting, producing or harvesting a single product or commodity; and privately owned trailers primarily used by farmers in their operations to transport farm animals or other farm products. Local governing bodies may exempt all the specific classes of property from tax or provide a different rate of tax on all the specific classes of property.

### Proposal

This bill would add farm utility vehicles primarily used by farmers in transporting farm animals or other farm products to the list of farm property that a locality may, by ordinance, exempt or tax at a different rate than that applicable to the general class of tangible personal property. A farm utility vehicle would be defined as a vehicle that is designed for off-road use and is used as a farm, agricultural, or horticultural service vehicle, generally having a gasoline or diesel engine, four or more wheels, bench seating for the operator and a passenger, a steering wheel for control, and a cargo bed. The definition would exclude pickup or panel trucks, golf carts, low-speed vehicles, riding lawn mowers, or all-terrain vehicles.

The effective date of this bill is not specified.

### Similar Legislation

**House Bill 1148** and **Senate Bill 534** (identical) would allow motor vehicles owned by volunteer deputy sheriffs to be classified as a separate class of tangible personal property for local taxation purposes.

cc : Secretary of Finance

Date: 1/21/2012 KP  
DLAS File Name: HB743F161