

**DEPARTMENT OF TAXATION
2012 Fiscal Impact Statement**

1. **Patron** C. Matt Fariss

2. **Bill Number** HB 743

House of Origin:

Introduced

Substitute

Engrossed

3. **Committee** Senate Finance

4. **Title** Tangible Personal Property Tax; Localities
May Exempt Farm-Related Motor Vehicles

Second House:

In Committee

Substitute

Enrolled

5. Summary/Purpose:

This bill would add 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 1) certain motor vehicles used exclusively for agricultural purposes, for which the owner is not required to obtain a registration certificate, license plate, and decal or pay a registration fee; and 2) trucks or tractor trucks used exclusively by farmers in their farming operations for the transportation of farm animals or farm products.

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, motor 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 the applicable motor 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.

Vehicles Exempt from Registration, License Plates, or Decal Requirements

Under current law, certain vehicles are exempt from the registration, license plates, decals, and registration fee requirements generally imposed upon vehicles. The exemption applies to pickup trucks and panel trucks, sport utility vehicles, vehicles with a gross weight rating greater than 7,500 pounds, certain trailers and semi trailers, that:

- are not operated on or over public highways, provided these vehicles are used exclusively for agricultural or horticultural purposes on lands owned or leased by the vehicle's owner; or
- are owned by the owner or lessee of a farm and used on a seasonal basis to transport farm produce and livestock along public highways for a maximum distance of fifty miles;
- are operated along a highway for no more than twenty miles between a sawmill or sawmill site and the farm owner's farm to transport sawdust, wood, shavings, slab wood and other wood wastes.

Proposal

This bill would add 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 1) certain motor vehicles used exclusively for agricultural purposes, for which the owner is not required to obtain a registration certificate, license plate, and decal or pay a registration fee; and 2) trucks or tractor trucks used exclusively by farmers in their farming operations for the transportation of farm animals or farm products. Under the terms of this bill, "trucks" would mean every motor vehicle designed to transport property on its own structure independent of any other vehicle and having a registered gross weight in excess of 7,500 pounds. "Tractor trucks" would be defined as motor vehicles designed

and used primarily for drawing other vehicles, and not so constructed as to carry a load other than a part of the load and weight of the attached vehicle.

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: 2/15/2012 KP
DLAS File Name: HB743FE161