

# DEPARTMENT OF TAXATION

## 2013 Fiscal Impact Statement

1. **Patron** James P. "Jimmie" Massie, III

2. **Bill Number** HB 1993

3. **Committee** Passed House and Senate

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

4. **Title** Motor Vehicle Rental Tax; Exclusions

**Second House:**

           **In Committee**

           **Substitute**

  X   **Enrolled**

### 5. **Summary/Purpose:**

This bill would exclude the following from the gross proceeds upon which the Motor Vehicle Rental Taxes and Fee are applied: 1) cash discounts taken on a contract; 2) finance charges, carrying charges, service charges, and interest from credit given on a contract; 3) charges for motor fuels; 4) charges for optional accidental death insurance; 5) Motor Vehicle Sales and Use Tax; 6) violations, citations, or fines and related penalties and fees; 7) delivery charges, pickup charges, recovery charges, or drop charges; 8) pass-through charges; 9) transportation charges; 10) third-party service charges; and 11) refueling surcharges. The bill would also require the Department of Taxation to publish guidelines implementing the provisions.

Currently, "gross proceeds" is defined as the charges made or voluntary contributions received for the rental of a motor vehicle where the rental or lease agreement is for a period of less than 12 months for the purposes of the Motor Vehicle Rental Taxes and Fee.

The bill is effective for rental periods beginning on or after July 1, 2013.

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

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

### 8. **Fiscal implications:**

#### Administrative Costs

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

## Revenue Impact

The bill would exclude certain charges from the rental taxes. In 2012, DMV estimated that providing such exclusions from gross proceeds would result in a loss of approximately \$60,000 annually in state and local revenues.

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

Department of Taxation  
Department of Transportation  
Department of Rail and Public Transportation

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

### **11. Other comments:**

#### Background

Effective July 1, 2012, the administration Motor Vehicle Rental Taxes and Fee was transferred from the Department of Motor Vehicles to the Department of Taxation. This was a recommendation of Governor McDonnell's Government Reform & Restructuring Commission.

The Motor Vehicle Rental Tax is imposed on motor vehicles with a gross vehicle weight rating or gross combined weight rating of 26,000 pounds or less at a rate of 4% of the gross proceeds. An additional motor vehicle rental tax is imposed on the rental of every motor vehicle regardless of the weight, except for motorcycles and manufactured homes, at a rate of 4% of the gross proceeds. A 2% rental fee is also levied on the gross proceeds from the rental of motor vehicles, except for motorcycles and manufactured homes. Most passenger vehicles that are rented are subject to all of the taxes and fee at a combined rate of 10% of the gross proceeds.

The revenues from the vehicle rental tax of 4% that is imposed on motor vehicles with a gross vehicle weight rating or gross combined weight rating of 26,000 pounds or less, approximately \$30 million annually, are dedicated to the Rail Enhancement Fund and the Transportation Trust Fund. The revenues from the additional vehicle rental tax imposed on the rental of every motor vehicle at the rate of 4%, approximately \$34 million annually, are distributed quarterly to the city, town, or county where the vehicle was delivered to the renter. The revenues from the 2% vehicle rental tax, approximately \$15 million annually, are dedicated to pay the debt service on bonds issued for the Statewide Agencies Radio System.

#### Proposal

This bill would exclude the following from the gross proceeds upon which the Motor Vehicle Rental Taxes and Fee are applied: 1) cash discounts taken on a contract; 2) finance charges, carrying charges, service charges, and interest from credit given on a contract; 3) charges for motor fuels; 4) charges for optional accidental death insurance; 5) Motor Vehicle Sales and Use Tax; 6) violations, citations, or fines and related penalties

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cc : Secretary of Finance

Date: 2/15/2013 AM  
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