

# DEPARTMENT OF TAXATION

## 2014 Fiscal Impact Statement

1. **Patron** Glenn R. Davis

2. **Bill Number** HB 589

3. **Committee** House Finance

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Personal Property Tax; Separate  
Classification for Electronic Communication  
and Processing Devices

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

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

This bill would add electronic communication and processing devices and peripheral equipment, such as cell phones, personal computers, and printers to the list of household goods that a locality may elect to exempt from the tangible personal property tax. The bill would also allow each class of household goods to maintain its classification as such, even if used incidentally for business purposes, provided the goods are not purchased or owned by a business. Finally, the bill would provide that electronic communication and processing devices and equipment used inside an abode would retain their classification as household goods regardless of the percentage of time used in or outside an abode.

Current law provides for the separate classification of a number of specified household goods and personal effects, such as bicycles, household furniture, musical instruments, and all other tangible personal property used by an individual or a family or household incident to maintaining an abode. Localities are authorized to enact ordinances exempting the separately classified property from the tangible personal property tax. The separate classifications apply to such property only if it is owned and used by an individual or by a family or household incident to maintaining an abode.

The effective date of this bill is not specified.

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

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

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

To the extent that a locality elects to exempt electronic communication and processing devices and equipment, this bill would result in a revenue loss to that locality, the magnitude of which is unknown. As the bill would expand the classification to apply to household goods used incidentally for business purposes, this may further decrease revenues to the extent that a locality exempts other household goods. This bill would have no impact on state revenues.

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

All localities

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

**11. Other comments:**

Article X, Section 6 of the *Constitution of Virginia* authorizes the General Assembly to define as a separate subject of taxation, household goods, personal effects, and tangible farm property and products. The General Assembly has separately classified household goods and personal effects and allows localities to enact ordinances exempting the following classes of household goods from tangible personal property taxation:

- Bicycles;
- Household and kitchen furniture;
- Pianos, organs, other musical instruments, phonographs, record plays and records, and radio and television instruments and equipment;
- Works of art;
- Precious stones and precious metals used as ornaments or jewelry;
- Sporting and photographic equipment;
- Clothing and objects of apparel;
- Antique motor vehicles not used for general transportation;
- All-terrain vehicles, mopeds, and off-road motorcycles; and
- All other tangible personal property used by an individual or a family or household incident to maintaining an abode.

The separate classifications apply only if the property is owned and used by an individual, family, or household incident to maintaining an abode.

Household appliances in residential rental property used by an individual, family, or household incident to maintaining an abode are deemed fixtures, and are assessed as part of the real property.

Proposal

This bill would add to the list of household goods that a locality may elect to exempt from the tangible personal property tax electronic communication and processing devices and peripheral equipment, such as cell phones, personal computers, and printers. The bill would also allow each class of household goods to maintain its classification as such, even if used incidentally for business purposes, provided the goods are not purchased or owned by a business. Finally, the bill would provide that electronic communication and processing devices and equipment used inside an abode would retain its classification as a household good regardless of the percentage of time used in or outside an abode.

The effective date of this bill is not specified.

### Similar Legislation

**House Bill 617** would create a separate classification for tangible personal property tax purposes for property owned by a business during its first two years of operation, if the business's annual gross revenues do not exceed \$100,000.

cc : Secretary of Finance

Date: 1/16/2014 KP  
DLAS File Name: HB589F161