

DEPARTMENT OF TAXATION

2014 Fiscal Impact Statement

1. **Patron** Glenn R. Davis

2. **Bill Number** HB 589

3. **Committee** Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

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

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would add electronic communication and processing devices, such as cell phones, tablets, and personal computers, as well as peripheral equipment, such as printers to the list of household goods that a locality may elect to exempt from the tangible personal property tax. The bill would allow each class of household goods to maintain this classification, provided the goods are owned and used by an individual, family, or household, primarily incident to maintaining 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 that are primarily used incident to maintaining an abode, but may be used for other purposes, the bill 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 separate subjects 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 players 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 electronic communication and processing devices, such as cell phones, tablets, and personal computers, as well as peripheral equipment, such as printers to the list of household goods that a locality may elect to exempt from the tangible personal property tax. The bill would allow each class of household goods to maintain this classification, provided the goods are owned and used by an individual, family, or household, primarily incident to maintaining an abode. Thus, the bill would allow the use of such items in other capacities, provided the item is used primarily incident to maintaining 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 tangible personal property owned by a business in its first two tax years of operation, provided the business would qualify under a “business license incentive program,” regardless of whether the locality has established such a program.

cc : Secretary of Finance

Date: 3/4/2014 KP
DLAS File Name: HB589FER161