

Department of Planning and Budget

2017 Fiscal Impact Statement

1. Bill Number: SB1350

House of Origin ☐ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☒ Enrolled

2. Patron: Deeds

3. Committee: Passed Both Houses

4. Title: Motor vehicle sales and use tax; refund.

5. Summary: This bill allows a purchaser to be refunded any motor vehicle sales and use tax paid if the vehicle is returned, and the purchase price refunded, pursuant to the Virginia Motor Vehicle Warranty Enforcement Act. In addition, a refund may be received by a purchaser who purchased and returned a vehicle within 45 days not subject to the Virginia Motor Vehicle Warranty Enforcement Act but due to a mechanical defect or failure.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Final. See Item #8.

8. Fiscal Implications: The Department of Motor Vehicles (DMV) anticipates that this bill will result in an increase in motor vehicle sales and use tax (SUT) refunds; however, the overall fiscal impact is expected to be minimal. The eligibility for the refund proposed is based on the willingness of the seller of the vehicle to accept the return of the vehicle and refund the purchase price. Even under the Virginia Motor Vehicle Warranty Enforcement Act (VMWEA or “Lemon Law”), which provides for a return of a vehicle under conditions similar to those described in the bill, DMV receives only a few refund requests each year. DMV issues SUT refunds for Lemon Law returns; however, the agency understands that this bill is intended to permit SUT refunds for the return of vehicles not covered by the Lemon Law.

DMV cannot estimate how many refunds will be issued as a result of this bill. In FY 2016, DMV collected \$919,285,459 in SUT and issued 2,119 refunds of all authorized types for a total of \$771,430. Because of the nature of the refund process, DMV is presently unable to readily identify how many of those refunds were associated with Lemon Law returns. Regardless, there is little reason to expect that this bill will result in a significant increase in the number of sellers who are willing to take vehicles back or a noticeable increase in total SUT refunds.

Motor vehicle SUT is used for a broad variety of transportation purposes including, but not limited to, highway maintenance and mass transit projects. This bill represents an anticipated small reduction in revenues for those purposes. There is no information technology impact to

DMV expected from this bill because these refunds would be handled through an existing refund process.

- 9. Specific Agency or Political Subdivisions Affected:** Virginia Department of Motor Vehicles, Virginia Department of Transportation, Commonwealth Transportation Board, Virginia Department of Aviation, Virginia Department of Rail and Public Transportation, and Virginia Port Authority.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 2/16/2017

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cc: Secretary of Transportation