

Department of Planning and Budget 2018 Fiscal Impact Statement

1. Bill Number: HB680

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

2. Patron: Pogge

3. Committee: Finance

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

5. Summary: This bill removes the \$75 minimum motor vehicle sales and use tax on semitrailers.

6. Budget Amendment Necessary: No.

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

8. Fiscal Implications: The Department of Motor Vehicles (DMV) is unable to estimate the potential overall fiscal implications of this legislation, except that it may result in a reduction in motor vehicle sales and use tax (SUT) collections. The agency collects SUT; however, the monies are allocated to the Transportation Trust Fund, the Commonwealth Transportation Fund, the Highway Maintenance and Operation Fund, the Commonwealth Port Fund, the Commonwealth Airport Fund, and the Commonwealth Mass Transit Fund. Any reduction in SUT collection would represent a reduction in monies disbursed to these funds.

The universe of vehicles that might be eligible for this tax exception is unknown. Currently, all existing vehicles that would otherwise fall under the definition of “semitrailer” are titled as trailers, based on the documentation DMV received at the time of titling. DMV is unable to determine from agency records which trailers might be semitrailers. Moving forward, DMV would be reliant on semitrailer manufacturers and owners to better identify semitrailers on titling applications and ownership documents.

Semitrailers are generally understood to be the trailers that are pulled by a tractor-truck in a tractor-trailer setup. In DMV’s experience, these types of trailers are typically registered with gross vehicle weight ratings (GVWRs) in excess of 26,000 pounds. Under current SUT provisions, any trailer, including semitrailers, with a GVWR in excess of 26,000 pounds is taxed at a rate of zero percent. The minimum SUT rule applies only to vehicles that are taxed at rates that exceed zero percent. As a result, larger trailers and semitrailers are already exempt from the minimum SUT rule. The exception created in this bill would only apply to semitrailers with GVWRs of 26,000 pounds or less. DMV has no information available regarding how many semitrailers might be registered at those weights or what the typical sales prices for them might be. Considering the current SUT rate of 4.15 percent, this

exception would save money only for owners of eligible semitrailers priced under approximately \$1,800.

Implementation of this bill would require programming to DMV's automated system to create and recognize "semitrailer" as a vehicle type and to create a minimum SUT exemption code to be used when titling eligible semitrailers. DMV estimates a cost of \$39,495 to implement the provisions of this bill.

DMV would be able to absorb this cost within its existing resources assuming other legislative proposals with fiscal implications to DMV do not pass. DMV's current fiscal outlook precludes funding the cumulative burden of implementing the programming requirements of multiple pieces of legislation without improved revenue streams.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Motor Vehicles, Department of Transportation, Department of Aviation, Department of Rail and Public Transportation, Port of Virginia, and localities in which monies from the Transportation Funds are used for highway construction and maintenance.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

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c: Secretary of Transportation