

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: Reduces the minimum motor vehicle sales and use tax on semitrailers from \$75 to \$35

6. Budget Amendment Necessary: No.

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

8. Fiscal Implications: This bill would impose a \$35 minimum motor vehicle sales and use tax (SUT) on trailers with registered gross weights of 2,000 pounds or less.

The potential overall fiscal implications of this legislation cannot be estimated, except that it will result in a reduction in SUT collections. The Department of Motor Vehicles (DMV) is uncertain of the number of trailers that may be affected by the amended provisions of this bill, since the application of the \$35 minimum SUT will be based on both the registered gross weight, as stated in the amendments, and the sale price of each trailer.

Currently, regardless of weight, DMV collects a \$75 minimum SUT whenever the application of the 4.15 percent tax rate is less than \$75, which occurs when the sales price is less than approximately \$1,807. This bill would lower the minimum to \$35 for all trailers with a registered gross weight of less than 2,000 pounds, meaning that small trailers would pay \$35 when the sales price is less than approximately \$843. Any trailer registered above 2,000 pounds or priced above approximately \$843 will be subject to either the \$75 minimum SUT or 4.15 percent SUT.

As an example, in 2017, DMV registered 17,308 trailers that would have been subject to the \$35 minimum under this bill. DMV collected \$1,298,100 in SUT from owners, who paid the current \$75 minimum. At \$35, SUT collections for those trailers would have been \$605,780, a difference of \$692,320.

DMV collected the \$75 minimum SUT on an additional 3,854 trailers with registered gross weights under 2,000 pounds in 2017, for a further \$289,050 in collections. Under the provisions of this bill, these trailers would have been subject to 4.15 percent SUT, or a total

of \$183,612 in taxes. The combined difference in SUT collections between these two groups of trailers would have been \$797,758.

DMV collects SUT; however, the monies are allocated to the Transportation Trust Fund, the Commonwealth Transportation Fund, the Highway Maintenance and Operating 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.

DMV estimates an information systems programming cost of \$39,880 in staff hours to implement the provisions of this bill, which can be accomplished during normal work schedules.

- 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, localities in which monies from the Transportation Funds are used for highway construction and maintenance.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 2/15/2018

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cc: Secretary of Transportation