

**DEPARTMENT OF TAXATION
2018 Fiscal Impact Statement**

1. **Patron** Rosalyn R. Dance

2. **Bill Number** SB 249

3. **Committee** House Finance

House of Origin:
 Introduced
 Substitute
 Engrossed

4. **Title** Taxation of all-terrain vehicles, mopeds, and off-road motorcycles

Second House:
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would make all-terrain vehicles, mopeds, and off-road motorcycles exempt from the Retail Sales and Use Tax and instead subject to the Motor Vehicle Sales and Use Tax. The rate of Motor Vehicle Sales and Use Tax that would apply would be the same as the Retail Sales and Use Tax rate that currently applies to those items, that is, 6 percent in the Northern Virginia and Hampton Roads districts and 5.3 percent everywhere else. All-terrain vehicles, mopeds, and off-road motorcycles that would be titled for the first time in the Commonwealth and that the applicant (i) has owned for more than 12 months or (ii) has owned for less than 12 months and for which the applicant can provide evidence that the Retail Sales and Use Tax has already been paid, would be exempt from the Motor Vehicle Sales Tax. The revenues collected from the sales tax on these vehicles would be distributed in the same manner as the state and local Retail Sales and Use Tax.

Under current law, all-terrain vehicles, mopeds, and off-road motorcycles are subject to the Retail Sales and Use Tax and are exempt from the Motor Vehicle Sales and Use Tax.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** Yes.

ITEM(S): Page 1, Revenue Estimates

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

7a. **Expenditure Impact:**

Department of Motor Vehicles

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2017-18	\$30,000	0	NGF
2018-19	\$40,000	0	NGF
2019-20	\$40,000	0	NGF
2020-21	\$40,000	0	NGF
2021-22	\$40,000	0	NGF
2022-23	\$40,000	0	NGF
2023-24	\$40,000	0	NGF

8. Fiscal implications:

Administrative Costs

The Department of Motor Vehicles would incur administrative costs of approximately \$30,000 in Fiscal Year 2018 for technology costs and \$40,000 in Fiscal Year 2019 and each Fiscal Year thereafter for ongoing expenses related to the collection of the Motor Vehicle Sales and Use Tax on all-terrain vehicles, off-road motorcycles, and mopeds. The bill does not authorize the Department of Motor Vehicles to recover its administrative costs from the tax revenues collected on such vehicles.

The Department of Taxation (“the Department”) considers implementation of this bill as routine and does not require additional funding.

Revenue Impact

This bill would have an anticipated positive revenue impact of \$87,000 on local revenues annually beginning Fiscal Year 2019 due to the titling of all-terrain vehicles, mopeds, and off-road motorcycles vehicles purchased out-of-state.

This bill would have an anticipated positive revenue impact of \$225,000 on General Fund revenue and \$52,000 on Transportation Trust Fund revenue annually beginning Fiscal Year 2019 due to the titling of all-terrain vehicles, mopeds, and off-road motorcycles purchased out-of-state.

The anticipated positive revenue impact on both state and local revenues could be higher if there are a significant number of out of state moped sales.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Motor Vehicles

10. Technical amendment necessary: Yes.

In order to conform the proposed Motor Vehicle Sales and Use Tax rates to the Retail Sales and Use Tax Rates, the following technical amendments are necessary.

Page 10, Line 582, after § 46.2-100,

Strike the tax shall be five percent of the

Insert , sold (a) in a county or city located in a planning district described in § 58.1-603.1, the tax shall be six percent of the sales price of each vehicle or (b) in any county or city other than those set forth in clause (a), the tax shall be 5.3 percent of the

Strike *the tax shall be five percent of the*

Insert , *sold (a) in a county or city located in a planning district described in § 58.1-603.1, the tax shall be six percent of the sales price of each vehicle or (b) in any county or city other than those set forth in clause (a), the tax shall be 5.3 percent of the*

11. Other comments:

Retail Sales and Use Tax Rates

Effective July 1, 2013, House Bill 2313 (2013 *Acts of Assembly*, Chapter 766), increased the state Retail Sales and Use Tax rate from 4 percent to 4.3 percent and imposed an additional state Retail Sales and Use Tax in the Northern Virginia and Hampton Roads regions at the rate of 0.7 percent. The rate of the local option Retail Sales and Use Tax remained 1 percent. The total state and local Retail Sales and Use Tax rate is 6 percent in localities that fall within Northern Virginia and Hampton Roads regions and 5.3 percent in the rest of the Commonwealth.

The “Northern Virginia Region” is defined as the Counties of Arlington, Fairfax, Loudoun, and Prince William and the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park.

The “Hampton Roads Region” is defined as the Counties of Isle of Wight, James City, Southampton, and York and the Cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg.

Taxation of Motor Vehicles

Effective July 1, 2016, the Motor Vehicle Sales and Use Tax is imposed on motor vehicles at the rate of 4.15 percent of the sales price and is due at the time the owner applies to the Department of Motor Vehicles for, and obtains, a certificate of title.

Taxation of All-Terrain Vehicles, Mopeds, and Off-Road Motorcycles

Under current law, all-terrain vehicles, mopeds, and off-road motorcycles are subject to the Retail Sales and Use Tax and exempt from the Motor Vehicle Sales and Use Tax.

Proposal

This bill would make all-terrain vehicles, mopeds, and off-road motorcycles exempt from the Retail Sales and Use Tax and instead subject to the Motor Vehicle Sales and Use Tax. The rate of Motor Vehicle Sales and Use Tax that would apply would be the same as the Retail Sales and Use Tax rate that currently applies to those items, 6 percent in the Northern Virginia and Hampton Roads districts and 5.3 percent everywhere else. All-terrain vehicles, mopeds, and off-road motorcycles that would be titled for the first time in the Commonwealth and that the applicant (i) has owned for more than 12 months or (ii) has owned for less than 12 months and for which the applicant can provide evidence that

the Retail Sales and Use Tax has already been paid, would be exempt from the Motor Vehicle Sales Tax. The revenues collected from the sales tax on these vehicles would be distributed in the same manner as the state and local Retail Sales and Use Tax.

The effective date of this bill is not specified.

Similar Legislation

House Bill 1441 would make all-terrain vehicles, mopeds, and off-road motorcycles exempt from the Retail Sales and Use Tax and instead subject to the Motor Vehicle Sales and Use Tax.

cc : Secretary of Finance

Date: 2/16/2018 VB
SB249F161