

DEPARTMENT OF TAXATION

2007 Fiscal Impact Statement

1. **Patron** C. Charles Caputo

3. **Committee** House Finance

4. **Title** Personal Property Tax; Motor Vehicle Held in Trust

2. **Bill Number** HB 1880

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would expand the Personal Property Tax Relief Act definition of “qualifying vehicle” to include motor vehicles that are held in a private trust for personal use by an individual beneficiary.

The effective date of this bill is not specified.

6. No Fiscal Impact (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

TAX would incur no costs in the implementation of this bill.

As the amount of money the Commonwealth reimburses localities for personal property tax relief is currently capped at \$950 million, this proposal would have no impact on state or local revenues. Each locality’s share of the \$950 million state reimbursement is based upon its share of the total state reimbursement for tax year 2005. As this proposal would increase the number of vehicles qualifying for personal property tax relief with no increase in the amount of total state reimbursement, the average reimbursement for each vehicle would decrease.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No.

11. Other comments:

Personal Property Tax Relief Act of 1998

The PPTRA originally was intended to eliminate the tangible personal property tax imposed on the first \$20,000 of value on passenger cars, pickup or panel trucks, and motorcycles owned or leased by natural persons and used for nonbusiness purposes.

The tax was originally scheduled to be eliminated over five years with 12.5% of the tax eliminated in 1998, 27.5% in 1999, 47.5% in 2000, 70% in 2001, and 100% in 2002 and thereafter. The tax on vehicles valued at \$1,000 or less was completely eliminated in 1998. The amount of the tax relief was shown on the taxpayer's bill and the Commonwealth reimburses localities for the amount of the tax relief.

The PPTRA provided a mechanism for freezing the tax relief if the Commonwealth's revenue growth is insufficient. The percentage of tax relief was frozen at the current percentage of tax relief in effect if any one of three revenue growth tests was not met. When revenue growth was sufficient, the percentage of tax relief increased to the next highest level of tax relief. The level of tax relief never exceeded 70%.

Senate Bill 5005

Senate Bill 5005 (Chapter 1, 2004 Special Session I) changed the personal property tax relief program for motor vehicles. The state currently distributes \$950 million annually to localities as reimbursement for the personal property tax relief provided by each locality. Each locality's share of the \$950 million state reimbursement for tax year 2006 and subsequent tax years is based upon its share of the total state reimbursement for tax year 2005.

Qualifying Vehicles

Qualifying vehicles are currently defined to include any passenger car, motorcycle, and pickup or panel truck that is determined to be (i) privately owned or (ii) leased pursuant to a contract requiring the lessee to pay the tangible personal property tax on such vehicle. All-terrain vehicles and off-road motorcycles titled with the Department of Motor Vehicles are not qualifying vehicles.

Proposal

This bill would expand the Personal Property Tax Relief Act definition of "qualifying vehicle" to include motor vehicles that are held in a private trust for personal use by an individual beneficiary.

Other Legislation

House Bill 1615 would repeal the changes to the Personal Property Tax Relief Act of 1998 (the "PPTRA") provided by Senate Bill 5005 (Chapter 1, 2004 Special Session I) and set the PPTRA reimbursement level at 100 percent.

House Bill 1709 would transfer an amount equal to three-quarters of one percent (.0075) of the taxable individual income to every county and city whose personal property tax rate on motor vehicles is no greater than \$0.01 per \$100 of assessed value, based on each county's and city's share of total Virginia taxable income.

House Bill 1894 would repeal the changes to the Personal Property Tax Relief Act of 1998 (the "PPTRA") provided by Senate Bill 5005 (Chapter 1, 2004 Special Session I) and gradually increase the level of relief for qualifying vehicles to 100% over a six-year period.

cc : Secretary of Finance

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