

Department of Planning and Budget 2007 Fiscal Impact Statement

1. **Bill Number:** HB2466

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. **Patron:** Marshall

3. **Committee:** Finance

4. **Title:** Motor vehicle sales and use tax; basis and rate.

5. **Summary/Purpose:** This bill reduces the sale price for determining motor vehicle sales and use tax by (i) the credit given by the seller for any motor vehicle taken as a trade-in, and (ii) the amount of cash discount or rebate given by the seller or the manufacturer. The bill also caps the sale price on which the tax is computed at \$70,000, and increases the motor vehicle sales and use tax rate from 3 percent to 3.5 percent.

6. **Fiscal impact estimates are preliminary.**

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2006-07	\$394,462	-	NGF
2007-08	-	-	-
2008-09	-	-	-

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2006-2007	-	-	-
2007-2008	(\$23.5 million)	-	NGF
2008-2009	(\$24.8 million)	-	NGF
2009-2010	(\$24.7 million)	-	NGF
2010-2011	(\$24.4 million)	-	NGF
2011-2012	(\$24.1 million)	-	NGF
2012-2013	(\$24.0 million)	-	NGF

7. **Budget amendment necessary:** Yes, Item 435.

8. **Fiscal implications:** This bill raises the motor vehicle sales and use tax (SUT) to 3.5 percent. It also limits the sales price on which tax can be computed to a maximum of \$70,000 and subtracts rebates or trade-in values from the tax base calculation.

Sales and use tax revenue collected by the Department of Motor Vehicles (DMV) is allocated to the Virginia Department of Transportation (VDOT) solely for the construction, reconstruction, and maintenance of highways and for the regulation of traffic on those highways. The depositories for these monies are the Transportation Trust Fund, which receives one-third of these revenues, and the Highway Maintenance and Operating Fund, which receives two-thirds of the SUT revenues.

Adjusting the sales price of a new or used vehicle by both the amount of cash rebates and the trade-in value and establishing a cap of \$70,000 will result in a significant reduction in motor vehicle sales tax collections. The increase in the SUT rate from 3 percent to 3.5 percent is not enough to offset the reduction, as illustrated in the table below.

Revenue Impact (in millions)					
Fiscal Year	Impact of 3.5 % Tax Rate	Rebate Allowance	Trade-in Allowance	\$70,000 Cap	Total Revenue Impact
2008	\$98.4	(\$16.9)	(\$102.7)	(\$4.5)	(\$23.5)
2009	\$101.4	(\$16.8)	(\$104.9)	(\$4.5)	(\$24.8)
2010	\$104.4	(\$17.0)	(\$107.6)	(\$4.5)	(\$24.7)
2011	\$106.1	(\$17.1)	(\$108.9)	(\$4.5)	(\$24.4)
2012	\$108.1	(\$17.3)	(\$110.3)	(\$4.5)	(\$24.1)
2013	\$108.1	(\$17.3)	(\$110.3)	(\$4.5)	(\$24.0)

A one-time appropriation of \$394,462 will be required for expenditures related to modifying existing systems and applications, allowing DMV to meet the functional requirements of this bill. DMV does not have the cash necessary to support this legislation and additional resources will be required.

9. Specific agency or political subdivisions affected: Virginia Department of Transportation, Department of Motor Vehicles.

10. Technical amendment necessary: Page 3, line 136 - a space is required between "value." and "However"

11. Other comments: None.

Date: 1/25/07/jlv

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cc: Secretary of Transportation