

# DEPARTMENT OF TAXATION

## 2007 Fiscal Impact Statement

1. **Patron** Robert B. Bell

3. **Committee** House Finance

4. **Title** Personal Property Tax Relief: Qualifying Vehicles

2. **Bill Number** HB 2975

**House of Origin:**

       **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

  X   **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would require commissioners of revenue to rely upon the registration of the vehicle and certificate of title by the Department of Motor Vehicles ("DMV") in determining whether privately owned or leased vehicles qualify for tax relief under the Personal Property Tax Relief Act ("PPTRA"), unless the commissioner has information that DMV's registration information is incorrect or incomplete.

The effective date of this bill is not specified.

**6. No Fiscal Impact.**

**7. Budget amendment necessary:** No.

**8. Fiscal implications:**

As the amount of reimbursement under the PPTRA is currently capped at \$950 million and each locality's share of the \$950 million state reimbursement is based upon its share of the total state reimbursement for tax year 2005, any change in the number of qualifying vehicles resulting from this bill would have no impact on state or local revenues.

**9. Specific agency or political subdivisions affected:**

All localities

Department of Motor Vehicles

**10. Technical amendment necessary:** No.

## 11. Other comments:

### Background

#### 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%.

#### PPTRA Compliance Program

Language in past budget bills required TAX, with cooperation from the DMV, the Department of Accounts and local officials, to develop and implement a comprehensive PPTRA compliance program to enhance taxpayer knowledge and compliance with the PPTRA and to ensure that relief under the PPTRA is only granted to qualifying vehicles. The program included methods for educating motor vehicle owners, certifications from motor vehicle owners during any vehicle registration that the vehicle qualified for relief, and a periodic audit of the personal property tax records of localities to ensure compliance with the PPTRA. DMV was responsible for reconciling the amount paid by the Commonwealth to each locality.

#### 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.

Under current law, the commissioners of revenue may rely on the registration of the vehicle with DMV.

## **Proposal**

This bill would require commissioners of revenue to rely upon the registration of the vehicle and certificates of title by the DMV in determining that privately owned or leased vehicles qualify for tax relief, unless the commissioner has information that DMV's registration information is incorrect or incomplete.

## **Other Legislation**

**House Bill 1880** would expand the PPTRA definition of "qualifying vehicle" to include motor vehicles that are held in a private trust for nonbusiness purposes by an individual beneficiary.

cc : Secretary of Finance

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