

**DEPARTMENT OF TAXATION
2008 Fiscal Impact Statement**

1. **Patron** Harry R. Purkey

2. **Bill Number** HB 361

3. **Committee** House Finance

House of Origin:
 Introduced
 Substitute
 Engrossed

4. **Title** Motor Vehicle Repair Tax; Towing and Storage

Second House:
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would provide that the sales and use tax on motor vehicle repairs authorized to be imposed in the Northern Virginia Transportation Authority ("NVTA") and the Hampton Roads Transportation Authority ("HRTA") would not include charges for towing and storage of motor vehicles.

The effective date of this bill is not specified.

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

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2007-08	\$0	HRTA
	\$0	NVTA
2008-09	(\$255,000)	HRTA
	(\$465,000)	NVTA
2009-10	(\$288,000)	HRTA
	(\$526,000)	NVTA
2010-11	(\$298,000)	HRTA
	(\$544,000)	NVTA
2011-12	(\$309,000)	HRTA
	(\$564,000)	NVTA
2012-13	(\$320,000)	HRTA
	(\$584,000)	NVTA
2013-14	(\$327,000)	HRTA
	(\$604,000)	NVTA

7. Budget amendment necessary: No.

8. Fiscal implications:

Administrative Costs Impact

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as “routine,” and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not “routine.” Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

Revenue Impact

If the sales and use tax on motor vehicle repairs did not apply to charges for towing and storage services, there would be an estimated decrease in expected revenue for the Hampton Roads Transportation Authority of \$255,000 in Fiscal Year 2009, \$288,000 in Fiscal Year 2010, \$298,000 in Fiscal Year 2011, \$309,000 in Fiscal Year 2012, \$320,000 in Fiscal Year 2013, and \$327,000 in Fiscal Year 2014. There would also be an estimated decrease in expected revenue for the Northern Virginia Transportation Authority of \$465,000 in Fiscal Year 2009, \$526,000 in Fiscal Year 2010, \$544,000 in Fiscal Year 2011, \$564,000 in Fiscal Year 2012, \$584,000 in Fiscal Year 2013, and \$604,000 in Fiscal Year 2014.

9. Specific agency or political subdivisions affected:

Hampton Roads Transportation Authority
Northern Virginia Transportation Authority

10. Technical amendment necessary: No.

11. Other comments:

Background

House Bill 3202 (*Acts of Assembly 2007*, Chapter 896) authorized the Hampton Roads Transportation Authority and the Northern Virginia Transportation Authority (“an Authority”) to impose in their member localities a sales and use tax at the rate of 5 percent on (i) charges for separately stated labor or services in the repair of motor vehicles and (ii) charges for the repair of a motor vehicle in cases in which the true object of the repair is a service provided within an Authority. TAX administers the Motor Vehicle Repair Labor and Services Sales and Use Tax and remits the revenues collected monthly to the respective Authority minus the direct costs of administration.

The Hampton Roads Transportation Authority embraces the Cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg and the Counties of Isle of Wright, James City, and York. The Hampton Roads Transportation Authority has voted to impose the 5 percent sales and use tax on motor vehicle repairs effective April 1, 2008.

The Northern Virginia Transportation Authority embraces the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park and the Counties of Arlington, Fairfax, Loudoun, and Prince William. The Northern Virginia Transportation Authority began imposing the 5 percent sales and use tax on motor vehicle repairs on January 1, 2008.

Proposal

Currently, the Guidelines and Rules for the Motor Vehicle Repair Labor and Services Sales and Use Tax (“Guidelines”) provide that incidental repair services such as towing and storage are subject to the Repair Tax. Although charges for towing a motor vehicle in connection with a taxable repair service to a provider of repair services and charges for the storage of a motor vehicle in connection with a repair service are subject to the Repair Tax, other towing and storage charges are not subject to the Repair Tax.

This bill would provide that the sales and use tax on motor vehicle repairs authorized to be imposed in the Northern Virginia Transportation Authority and the Hampton Roads Transportation Authority would not include charges for towing and storage of motor vehicles.

Other Legislation

House Bill 450 would prohibit any entity that has agreed to pay for vehicle repair services under a written indemnification agreement from requiring or recommending that the vehicle owner of a vehicle registered in a county or city embraced by the Northern Virginia Transportation Authority or the Hampton Roads Transportation Authority (“an Authority”) use a repair facility in a city or county not embraced by an Authority unless it also provides the vehicle owner the option of using a repair facility in a city or county that is embraced by an Authority.

House Bill 507 would eliminate in the Hampton Roads Transportation Authority the sales and use tax on motor vehicle repairs, the initial vehicle registration fee, the congestion relief fee, and the increased commercial real estate tax, and would increase the motor vehicle fuel sales tax, the car rental fee, and the annual vehicle license fee. This bill would also revise the number of members needed to impose taxes and fees in the Hampton Roads Transportation Authority and required for a quorum at meetings, and eliminate references to certain projects.

House Bill 579 would provide that the formula that compensates dealers with a percentage of their collected Retail Sales and Use Tax include the sales and use tax on motor vehicle repairs collected by the dealer.

House Bill 828 would remove the Cities of Hampton and Poquoson, and York County from the Hampton Roads Transportation Authority.

House Bill 829, House Bill 1444, and Senate Bill 676 would abolish the Hampton Roads Transportation Authority and eliminate the taxes, fees, and charges that it was authorized to impose.

Senate Bill 176 would eliminate in the Hampton Roads Transportation Authority the sales and use tax on motor vehicle repairs, the annual motor vehicle inspection fee, the annual license fee, and the congestion relief grantor's tax. This bill would also increase the initial registration fee, the motor vehicle fuel sales tax and the car rental fee.

cc : Secretary of Finance

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