

# DEPARTMENT OF TAXATION

## 2008 Fiscal Impact Statement

1. **Patron** Thomas Davis Rust

3. **Committee** House Finance

4. **Title** Motor Vehicle Repair Tax; Indemnification Agreements

2. **Bill Number** HB 450

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would prohibit any entity that has agreed to pay for vehicle repair services under an insurance policy or agreement, an extended service agreement, a vehicle maintenance agreement, or other 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 ("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.

Under current law, the Motor Vehicle Repair Labor and Services Sales and Use Tax ("Motor Vehicle Repair Tax") may be imposed 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 the Northern Virginia Transportation Authority and the Hampton Roads Transportation Authority.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

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

To the extent that vehicle owners may be encouraged by parties to insurance policies or agreements, extended service agreements, vehicle maintenance agreements, or other written indemnification agreements to have their motor vehicles repaired in cities or counties outside of an Authority, the Authorities would lose an unknown amount of revenue. This bill would reduce or eliminate this revenue loss.

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

Hampton Roads Transportation Authority  
Northern Virginia Transportation Authority  
Cities of Alexandria, Chesapeake, Hampton, Fairfax, Falls Church, Manassas, Manassas Park, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg  
Counties of Arlington, Fairfax, Isle of Wright, James City, Loudoun, Prince William, and York

### **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 (“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 sales and use tax on motor vehicle repairs 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. Currently the Hampton Roads Transportation Authority has voted to impose the 5 percent Motor Vehicle Repair Tax 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 imposed the 5 percent sales and use tax on motor vehicle repairs effective January 1, 2008.

## Proposal

This bill would prohibit any party to an insurance policy or agreement, an extended service agreement, a vehicle maintenance agreement, or other written indemnification agreement under which it has agreed to pay for vehicle repair services, wholly or in part, for a vehicle registered in a county or city embraced by the Northern Virginia Transportation Authority or the Hampton Roads Transportation Authority ("Authority") from requiring or recommending that the vehicle owner 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.

## Other Legislation

**House Bill 361** would provide that the sales and use tax on motor vehicle repairs does not include charges for towing and storage of motor vehicles.

**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** 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, and reduce the annual motor vehicle inspection fee and the grantor's fee. This bill would also increase the motor vehicle fuel sales tax and the car rental fee.

cc : Secretary of Finance

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