

DEPARTMENT OF TAXATION

2010 Fiscal Impact Statement

1. **Patron** Albert C. Pollard, Jr.

2. **Bill Number** HB 133

3. **Committee** Senate Finance

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Personal Property Tax; Expands Qualifying Vehicles

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would expand the pool of vehicles that are deemed “qualifying vehicles”, and thus eligible for personal property tax relief, by removing the 7,500 pound weight limitation currently placed on pickup or panel trucks.

Under current law, the definition of a “qualifying vehicle” encompasses passenger cars and motorcycles, as well as pickup or panel trucks, which are defined as every motor vehicle designed for the transportation of property and having a registered gross weight of 7,500 pounds or less.

The effective date of this bill is not specified.

6. **No Fiscal Impact**

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

8. **Fiscal implications:**

Administrative Costs Impact:

TAX would incur no administrative costs in implementing this bill.

Revenue Impact:

This bill would have no impact on state revenues. Under the PPTRA program in effect since Tax Year 2006, localities have received a specific amount of funds from the state, with which they provide personal property tax relief. The program has been capped at \$950 million per tax year paid on a fiscal year basis. Although this bill would not alter the relief provided by the state, it would expand the pool of qualifying vehicles by an unknown amount, thereby reducing individual relief, as the fixed amount of funds was previously distributed across a smaller pool of vehicles. The introduced Executive Budget, however, appropriates no funds for the PPTRA program in the 2010-2012 Biennium.

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 2004.

Vehicles Currently Eligible for Relief

"Passenger cars" is currently defined to include every motor vehicle other than a motorcycle designed and used primarily for the transportation of no more than 10 persons including the driver. "Pickups or panel trucks" means every motor vehicle designed for the transportation of property and having a registered gross weight that does not exceed 7,500 pounds.

Proposal

This bill would expand the pool of vehicles that are deemed qualifying vehicles and thus eligible for personal property tax relief, by removing the 7,500 pound weight limitation currently placed on pickup or panel trucks.

The effective date of this bill is not specified.

Similar Legislation

House Bill 228 would expand the pool of vehicles that are deemed “qualifying vehicles,” and thus eligible for personal property tax relief by removing the requirement that a vehicle held in trust can only qualify if there is no more than one beneficiary.

Senate Bill 543 would impose a state individual income tax surtax to provide a new source of revenue for localities to encourage them to essentially remove the tangible personal property tax on vehicles currently qualifying for car tax relief.

cc : Secretary of Finance

Date: 2/12/2010 KP
DLAS File Name: HB 133FE161