

DEPARTMENT OF TAXATION

2010 Fiscal Impact Statement

1. **Patron** Vivian E. Watts

2. **Bill Number** HB 228

House of Origin:

 Introduced

 Substitute

 Engrossed

3. **Committee** Senate Finance

4. **Title** Car Tax Relief; Changes Definition of
Qualifying Vehicle

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 requirement that a vehicle held in trust can only qualify if there is no more than one beneficiary.

Under current law, the term “qualifying vehicle” is defined as any passenger car, motorcycle, and pickup or panel truck that is determined by the commissioner of the revenue of the county or city in which the vehicle has situs to be (i) privately owned; (ii) leased pursuant to a contract requiring the lessee to pay the tangible personal property tax on such vehicle; or (iii) held in a private trust for nonbusiness purposes by an individual beneficiary.

The effective date of this bill is not specified.

6. **No Fiscal Impact.** (See Line 8.)

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

8. **Fiscal implications:**

Administrative Costs Impact

TAX would incur no administrative costs in the implementation of 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
Department of Motor Vehicles

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 reimbursed 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

In order to be deemed a qualifying vehicle for purposes of granting personal property tax relief, the Commissioner of the revenue of the county or city in which the vehicle has situs must determine that the vehicle is (i) privately owned; (ii) leased pursuant to a contract requiring the lessee to pay the tangible personal property tax on such vehicle; or (iii) held in a private trust for nonbusiness purposes by an individual beneficiary.

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 requirement that a vehicle held in trust can only qualify if there is no more than one beneficiary.

The effective date of this bill is not specified.

Similar Legislation

House Bill 133 would remove the 7,501 pound weight limitation that a pickup or panel truck must fall under in order to be deemed a qualifying vehicle.

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

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