

DEPARTMENT OF TAXATION

2015 Fiscal Impact Statement

1. **Patron** David I. Ramadan

3. **Committee** House Rules

4. **Title** Study; Reimbursement Payments to
Localities Providing Tangible Personal
Property Tax Relief.

2. **Bill Number** HJ 590

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would direct the Department of Taxation to study reimbursement payments paid by the Commonwealth to localities providing tangible personal property tax relief. The Department would be required to submit a report of its findings and recommendations to the Governor and General Assembly no later than the first day of the 2016 Regular Session of the General Assembly.

The Commonwealth capped Car Tax relief payments to localities at \$950 million a year beginning with tax year 2006, however, each locality's share of the \$950 million is a prorated amount based on the total reimbursement payment that the locality received from the Commonwealth for tax year 2004 for providing tangible personal property tax relief.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No

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

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

This bill would not have a revenue impact.

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

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Background

The Commonwealth of Virginia has been making reimbursement payments to counties, cities and towns since 1999 for providing tangible personal property tax relief on passenger cars, motorcycles, and pickup or panel trucks. These reimbursements were capped at \$950 million a year beginning with tax year 2006, however, each locality's share of the \$950 million is a prorated amount based on the total reimbursement payment that the locality received from the Commonwealth for tax year 2004 for providing tangible personal property tax relief.

This distribution is based solely on tax year 2004 reimbursement payments and does not take into consideration any changes to a locality's population and changing economic conditions.

Proposed Legislation

This bill would direct the Department of Taxation to study reimbursement payments to localities providing tangible personal property tax relief. In conducting this study, the Department would be responsible for examining how per capita tangible personal property tax relief has changed in Virginia's counties, cities, and towns between tax year 2006 and tax year 2014 and identifying the reasons for changes, including population trends. The Department would recommend a new formula for distributing the \$950 million in annual payments to localities for tangible personal property tax relief. The new distribution formula would be required to incorporate changes in population and changing economic conditions.

Similar Bills

House Joint Resolution 505 would establish a joint subcommittee to study reforming Virginia's tax structure, including the feasibility of adopting a flat tax or fair tax.

House Joint Resolution 563 would direct the Joint Legislative Audit and Review Commission (JLARC) to replace its findings from the 2004 study of replacing individual income tax revenues with sales and use tax revenues, with more current relevant data.

House Joint Resolution 581 would direct JLARC to study the adequacy of taxes and fees currently dedicated to highway funding and the feasibility of alternative revenue sources.

Senate Joint Resolution 235 would direct the Virginia Housing Commission to study methods to evaluate and determine a dedicated revenue source for the Virginia Housing Trust Fund.

cc : Secretary of Finance

Date: 1/18/2015 CWM
HJ590F161