

Commission on Local Government

Estimate of Local Fiscal Impact

2017 General Assembly Session

Bill: HB 2447

Patron: Marshall, R.

Date: 1/26/2017

In accordance with the provisions of §30-19.03 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of the above-referenced legislation:

Bill Summary:

Eliminates the ability of a locality to assess local license fees for motor vehicles, trailers, and semitrailers. The bill has a delayed effective date of July 1, 2018.

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**Executive Summary:**

As per the provisions of HB 2447, localities would be prohibited from assessing local license fees for motor vehicles, trailers, and semitrailers. Localities have evaluated a negative fiscal impact ranging from \$7,150.00 - \$26,800,000.00. According to the Auditor of Public Accounts (APA), in FY2015 Virginia localities collected \$178,198,490.00 in revenue from license fees (this does not include the localities that have not submitted their FY2015 financial data).

Localities noted that the provisions of the bill would have a significant negative impact on their budget due to the loss of revenue each year and would restrict their ability to provide critical citizen services. Consequently, such a loss in revenue would force them to raise taxes from other sources such as real estate or personal property.

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**Local Analysis:**

**Locality:** City of Danville

**Estimated Fiscal Impact:** \$980,000.00

This elimination of the ability to assess local license fees would result in a \$980,000 revenue loss in Danville. This is equivalent to a 5 cent real estate tax increase.

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Locality: City of Harrisonburg

Estimated Fiscal Impact:
\$1,300,000.00

There would be a significant budgetary impact to the city estimated at \$1,300,000 in lost revenue per year. The city would not be in favor of any further erosion of local taxing authority without viable alternative sources of revenue.

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**Locality:** City of Lynchburg

**Estimated Fiscal Impact:**  
\$1,560,000.00

This is the projection for FY 2018 for the City of Lynchburg.  
This is 3 cents on the real estate tax to make up this revenue if the State eliminates it.  
Just another example of the State eliminating local revenue sources!!

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Locality: City of Manassas

Estimated Fiscal Impact: \$900,000.00

This bill would eliminate a very important source of local revenue which would hinder our ability to provide services or require us to raise other taxes to make up the difference.

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**Locality:** City of Roanoke

**Estimated Fiscal Impact:**  
\$2,760,000.00

Bill will eliminate the collection of a local license fee.

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Locality: City of Winchester

Estimated Fiscal Impact: \$633,000.00

This bill would cost the City annually approx. \$633,000.. this represents motor vehicle license fees and associated penalties..

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**Locality:** Fairfax County.

**Estimated Fiscal Impact:**  
\$26,800,000.00

Currently, Fairfax County levies a vehicle license fee at \$33 for vehicles up to 4,000 lbs; \$38 for trucks and vehicles over 4,000 lbs; and \$18 for motorcycles. In FY 2016, Fairfax County collected \$26.8 million from the vehicle license fee. If the County's authority to levy this fee is eliminated, the projected revenue loss would be at least \$26.8 million.

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Locality: Henrico County

Estimated Fiscal Impact:
\$7,000,000.00

Based on FY16 revenues collected by motor vehicle license fees, this bill would result in a loss of \$7,000,000 in revenue for Henrico County. Henrico County maintains its own roads and much of this revenue source is used to help fund the maintenance of Henrico roads.

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**Locality:** Richmond County

**Estimated Fiscal Impact:** \$250,000.00

Another attempt by the State to control local revenues. Localities will be forced to continue relying too heavily on the already overburdened Real Estate Tax.

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Locality: Spotsylvania County

Estimated Fiscal Impact:
\$3,000,000.00

The impact of this bill to Spotsylvania County would be a loss of \$3.0 million in revenue.

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**Locality:** Town of Boones Mill

**Estimated Fiscal Impact:** \$7,150.00

This bill would have a significant negative impact on the local tax base. Boones Mill's general fund is \$205,000 total. This bill would cut about 3.5% of our general fund revenue.

Like most localities in the state, we no longer issue physical decals. Instead, DMV database registration linkages help us enforce the license fees. The license fee works as a flat tax, onto which the ad valorem car tax is added. The assessment formula shows rapid depreciation, so the Town tax base includes many old cars with little taxable value. For example, we might issue a \$40 tax bill, with \$25 base license fee and only \$15 from assessment.

It would be fair to criticize the license fee as somewhat regressive. It has a greater proportionate impact on people owning an old car that's worth little. On the other hand, car collectors with many vehicles pay many license fees. On the whole, the \$7,150 revenue from license fees is a consistent, inelastic local revenue source that is quite important to our budget.

If this bill passed, we would probably try to equalize our revenues by increasing the personal property tax rate.

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