

DEPARTMENT OF TAXATION

2017 Fiscal Impact Statement

1. **Patron** Lynwood W. Lewis, Jr.

2. **Bill Number** SB 1205

3. **Committee** House Finance

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Tangible Personal Property Tax; Commercial Fishing Vessels

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would create a separate classification for commercial fishing vessels for the purposes of the tangible personal property tax.

Under current law, commercial fishing vessels are included within the general classification of tangible personal property.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.

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

8. **Fiscal implications:**

Administrative Cost

This bill would not impact administrative costs at a state or local level.

Revenue Impact

Localities may experience an unknown revenue impact as a result of this bill. If localities choose to tax commercial fishing vessels at a lower rate than other types of tangible personal property, then those localities will experience a revenue loss.

This bill will have no effect on state or local revenues.

9. **Specific agency or political subdivisions affected:** All localities that impose the business personal property tax.

10. **Technical amendment necessary:** No.

11. Other comments:

Tangible Personal Property Tax

Currently, there are forty-six categories of property separately classified for purposes of the Tangible Personal Property Tax. The majority of these categories can be taxed at a rate not to exceed the general rate imposed on tangible personal property. Four categories related to research and development, equipment that changes the energy source for manufacturing plants, equipment for manufacturing testing, and heavy motor vehicles to transport property for hire may not be taxed at a rate that exceeds that applicable to machinery and tools. Manufactured homes may be taxed at the same rate as real property.

Commercial Fishing Vessels

Under current law, commercial fishing vessels do not comprise a separately classified category of property for purposes of personal property tax. Accordingly, commercial fishing vessels are treated as tangible personal property and taxed at the same rate applicable to tangible personal property generally.

While the definition of intangible personal property enumerated in § 58.1-1101 (9) includes tangible personal property used in commercial fishing businesses and used in the water to catch, harvest, or dredge seafood; fishing vessels and the property permanently attached to such vessels are exempted from this definition and are instead taxed locally as tangible personal property.

Proposal

This bill would create a separate classification for commercial fishing vessels for purposes of the local tax on tangible personal property. As a result, localities would be able to levy a tax on commercial fishing vessels at a rate different, but no higher than, the rates of tax and assessment applicable to the general class of tangible personal property.

The effective date of this bill is not specified.

Similar Legislation

House Bill 2193 would require localities to permit non-itemization of certain tangible personal property with a cost less than \$500 for purposes of the business personal property tax.

House Joint Resolution 706 is a first resolution for a constitutional amendment that would provide that any locality may, by ordinance, exempt from taxation the first \$5,000 of value of tangible personal property used in a business.

cc : Secretary of Finance

Date: 2/3/2017 VB
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