

DEPARTMENT OF TAXATION

2019 Fiscal Impact Statement

1. **Patron** Robert B. Bell

3. **Committee** House Finance

4. **Title** Motor Vehicle Rental Tax; Filing Returns

2. **Bill Number** HB 1974

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would exempt Motor Vehicle Rental Tax renters from the obligation to remit returns to the Department of Taxation for periods in which no tax is due.

Under current law, renters of motor vehicles are subject to all of the same obligations as Retail Sales and Use Tax dealers and are therefore required to submit periodic returns to the Department of Taxation even for periods where no tax is due.

If enacted during the 2019 Regular Session of the General Assembly, this bill would become effective July 1, 2019.

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 to be routine and does not require additional funding.

Revenue Impact

This bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Motor Vehicle Rental Tax

The Motor Vehicle Rental Tax is imposed on motor vehicles with a gross vehicle weight rating or gross combined weight rating of 26,000 pounds or less at a rate of 4% of the gross proceeds. An additional rental tax is imposed on the rental of every motor vehicle regardless of the weight, except for motorcycles and manufactured homes, at a rate of 4% of the gross proceeds. A 2% rental fee is also levied on the gross proceeds from the rental of motor vehicles, except for motorcycles and manufactured homes. Most passenger vehicles that are rented are subject to all of the taxes and fee at a combined rate of 10% of the gross proceeds.

The revenues from the Motor Vehicle Rental Tax of 4% that is imposed on motor vehicles with a gross vehicle weight rating or gross combined weight rating of 26,000 pounds or less, are dedicated to the WMATA Capital Fund, the Rail Enhancement Fund and the Commonwealth Transportation Board. The revenues from the additional vehicle rental tax imposed on the rental of every motor vehicle at the rate of 4% are distributed quarterly to the city, town, or county where the vehicle was delivered to the rentee. The revenues from the 2% vehicle rental tax are dedicated to pay the debt service on bonds issued for the Statewide Agencies Radio System.

Returns by Dealers

The Motor Vehicle Rental Tax has been administered by the Department of Taxation since 2012. Current law imposes upon motor vehicle renters all of the responsibilities imposed upon Retail Sales and Use Tax dealers, including the obligation to remit a monthly return to the Department for periods where no tax is due.

Proposal

This bill would exempt Motor Vehicle Rental Tax renters from the obligation to remit returns to the Department of Taxation for periods in which no tax is due.

If enacted during the 2019 Regular Session of the General Assembly, this bill would become effective July 1, 2019.

cc : Secretary of Finance

Date: 1/13/2019 VB
DLAS File Name: HB1974F161