

# DEPARTMENT OF TAXATION

## 2019 Fiscal Impact Statement

1. **Patron** Ronnie R. Campbell

3. **Committee** House Finance

4. **Title** Intangible Personal Property Tax;  
Classification of Certain Business Property

2. **Bill Number** HB 2440

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would classify as intangible personal property, tangible personal property i) that is used in a trade or business; ii) with an original cost of less than \$25; and iii) that is not classified as machinery and tools, merchants' capital, or short-term rental property. The bill would also exempt such property from taxation.

Under current law, tangible personal property used in a trade or business is segregated and subject to local taxation.

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

### 8. **Fiscal implications:**

#### Administrative Costs

This bill would not result in administrative costs to the Department of Taxation. This bill could result in increased administrative costs to localities due to the change in classification of certain business tangible personal property.

#### Revenue Impact

This bill would have no impact on state revenue. This bill could result in an unknown negative revenue impact to localities due to the exclusion of certain business tangible personal property from local taxation.

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

10. **Technical amendment necessary:** No

## 11. Other comments:

### Business Tangible Personal Property Tax

Under current law, personal property used in a trade or business is generally segregated and subject to local taxation.

### Intangible Personal Property

Intangible personal property is a separate class of property segregated for taxation by the Commonwealth. The Commonwealth does not currently tax intangible personal property. Localities are prohibited from taxing intangible personal property.

Certain personal property, while tangible in fact, has been designated as intangible and thus exempted from state and local taxation. For example, tangible personal property used in manufacturing, mining, water well drilling, radio or television broadcasting, dairy, dry cleaning or laundry businesses has been designated as exempt intangible personal property.

### Proposal

This bill would classify as intangible personal property, tangible personal property i) that is used in a trade or business; ii) with an original cost of less than \$25; and iii) that is not classified as machinery and tools, merchants' capital, or short-term rental property. The bill would also exempt such property from state taxation.

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cc : Secretary of Finance

Date: 1/19/2019 SK  
HB2440F161