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HOUSE BILL NO. 1863

Offered January 11, 2023

Prefiled January 10, 2023

A BILL to amend and reenact §§ 58.1-320, 58.1-603, as it is currently effective and as it may become effective, 58.1-604, as it is currently effective and as it may become effective, 58.1-1001, 58.1-1021.02, 58.1-2217, and 58.1-2402, as it is currently effective and as it may become effective, and to amend the Code of Virginia by adding a section numbered 58.1-320.1, relating to taxation in the Commonwealth; report.

Patrons—Scott, P.A. and Anderson

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-320, 58.1-603, as it is currently effective and as it may become effective, 58.1-604, as it is currently effective and as it may become effective, 58.1-1001, 58.1-1021.02, 58.1-2217, and 58.1-2402, as it is currently effective and as it may become effective, are amended and reenacted and that the Code of Virginia is amended by adding a section numbered 58.1-320.1 as follows:

§ 58.1-320. Imposition of tax.

A. A tax is hereby annually imposed on the Virginia taxable income for each taxable year of every individual as follows:

Two percent on income not exceeding \$3,000;

Three percent on income in excess of \$3,000, but not in excess of \$5,000;

Five percent on income in excess of \$5,000, but not in excess of \$12,000 for taxable years beginning before January 1, 1987;

Five percent on income in excess of \$5,000 but not in excess of \$14,000 for taxable years beginning January 1, 1987, through December 31, 1987;

Five percent on income in excess of \$5,000 but not in excess of \$15,000 for taxable years beginning January 1, 1988, through December 31, 1988;

Five percent on income in excess of \$5,000 but not in excess of \$16,000 for taxable years beginning January 1, 1989, through December 31, 1989;

Five percent on income in excess of \$5,000 but not in excess of \$17,000 for taxable years beginning January 1, 1990; and

Five and three-quarters percent on income in excess of \$12,000 for taxable years beginning before January 1, 1987;

Five and three-quarters percent on income in excess of \$14,000 for taxable years beginning January 1, 1987, through December 31, 1987;

Five and three-quarters percent on income in excess of \$15,000 for taxable years beginning January 1, 1988, through December 31, 1988;

Five and three-quarters percent on income in excess of \$16,000 for taxable years beginning January 1, 1989, through December 31, 1989; and

Five and three-quarters percent on income in excess of \$17,000 for taxable years beginning on and after January 1, 1990.

B. For taxable years beginning on and after January 1, 2025, the tax rates described in subsection A shall be reduced each year by 1.15 percent in any year in which the tax reduction condition described in § 58.1-320.1 is met. Reductions occurring in any year shall remain in effect for subsequent years and additional reductions shall be cumulative. However, in no event shall any tax rate be less than zero.

§ 58.1-320.1. Conditions for reduction in income tax rates; report.

For purposes of this section:

"Additional general fund revenues" means the amount of general fund revenues that are forecasted to be deposited in the general fund as the result of tax policy changes in the succeeding fiscal year plus the amount of increased general fund revenues resulting from tax policy changes in years in which the tax reduction condition was not met.

"Income tax equivalent" means the amount of revenue reduction that would result from a 1.15 percent reduction in the individual income tax rate.

"Income tax reduction" means a 1.15 percent reduction in the individual income tax rate, as described in subsection B of § 58.1-320.

"Rainy day deposits" means required deposits of revenues to the Revenue Stabilization Fund and the Revenue Reserve Fund pursuant to Articles 4 (§ 2.2-1828 et seq.) and 4.1 (§ 2.2-1831.1 et seq.) of

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59 Chapter 18 of Title 2.2.

60 "Tax policy changes" means the tax rate changes imposed pursuant to subsection B of § 58.1-603,
61 subsection B of § 58.1-604, subsection E of § 58.1-1001, subsection D of § 58.1-1021.02, subsection G
62 of § 58.1-2217, and subdivision A 4 of § 58.1-2402.

63 B. The tax reduction condition referenced in subsection B of § 58.1-320 shall be met if the amount
64 of general fund revenues collected in the preceding fiscal year, excluding required rainy day deposits,
65 plus the amount of additional general fund revenues is greater than or equal to the amount of general
66 fund appropriations made for such fiscal year plus the income tax equivalent for such fiscal year. For
67 purposes of this section, "general fund revenues collected in the preceding fiscal year" shall not include
68 revenues generated as a result of tax policy changes in any fiscal year in which an income tax
69 reduction did not occur.

70 C. The Secretary of Finance shall report to the House Committees on Appropriations and Finance
71 and the Senate Committee on Finance and Appropriations no later than December 1 following the close
72 of each fiscal year whether or not the tax reduction condition has been met for such fiscal year.

73 **§ 58.1-603. (Contingent expiration date) Imposition of sales tax.**

74 A. There is hereby levied and imposed, in addition to all other taxes and fees of every kind now
75 imposed by law, a license or privilege tax upon every person who engages in the business of selling at
76 retail or distributing tangible personal property in this Commonwealth, or who rents or furnishes any of
77 the things or services taxable under this chapter, or who stores for use or consumption in this
78 Commonwealth any item or article of tangible personal property as defined in this chapter, or who
79 leases or rents such property within this Commonwealth, in the ~~amount of 4.3 percent~~ amounts
80 described in subsection B:

81 1. Of the gross sales price of each item or article of tangible personal property when sold at retail or
82 distributed in this Commonwealth.

83 2. Of the gross proceeds derived from the lease or rental of tangible personal property, where the
84 lease or rental of such property is an established business, or part of an established business, or the
85 same is incidental or germane to such business.

86 3. Of the cost price of each item or article of tangible personal property stored in this
87 Commonwealth for use or consumption in this Commonwealth.

88 4. Of the gross proceeds derived from the sale or charges for accommodations furnished to transients
89 as set out in the definition of "retail sale" in § 58.1-602.

90 5. Of the gross sales of any services that are expressly stated as taxable within this chapter.

91 B. The rate of tax for the tax imposed by this section shall be:

92 1. Before July 1, 2024, 4.3 percent;

93 2. On and after July 1, 2024, but before July 1, 2025, 5.3 percent;

94 3. On and after July 1, 2025, but before July 1, 2026, 6.3 percent;

95 4. On and after July 1, 2026, but before July 1, 2027, 7.3 percent;

96 5. On and after July 1, 2027, but before July 1, 2028, 8.3 percent; and

97 6. On and after July 1, 2028, 9.3 percent.

98 **§ 58.1-603. (Contingent effective date) Imposition of sales tax.**

99 A. There is hereby levied and imposed, in addition to all other taxes and fees of every kind now
100 imposed by law, a license or privilege tax upon every person who engages in the business of selling at
101 retail or distributing tangible personal property in this Commonwealth, or who rents or furnishes any of
102 the things or services taxable under this chapter, or who stores for use or consumption in this
103 Commonwealth any item or article of tangible personal property as defined in this chapter, or who
104 leases or rents such property within this Commonwealth, in the amount of three and one-half percent
105 through midnight on July 31, 2004; ~~and~~ four percent beginning on and after August 1, 2004, but before
106 July 1, 2024; and in the amounts described in subsection B for years thereafter:

107 1. Of the gross sales price of each item or article of tangible personal property when sold at retail or
108 distributed in this Commonwealth.

109 2. Of the gross proceeds derived from the lease or rental of tangible personal property, where the
110 lease or rental of such property is an established business, or part of an established business, or the
111 same is incidental or germane to such business.

112 3. Of the cost price of each item or article of tangible personal property stored in this
113 Commonwealth for use or consumption in this Commonwealth.

114 4. Of the gross proceeds derived from the sale or charges for accommodations furnished to transients
115 as set out in the definition of "retail sale" in § 58.1-602.

116 5. Of the gross sales of any services which are expressly stated as taxable within this chapter.

117 B. The rate of tax for the tax imposed by this section shall be:

118 1. Before July 1, 2024, 4.3 percent;

119 2. On and after July 1, 2024, but before July 1, 2025, 5.3 percent;

120 3. On and after July 1, 2025, but before July 1, 2026, 6.3 percent;

4. On and after July 1, 2026, but before July 1, 2027, 7.3 percent;
 5. On and after July 1, 2027, but before July 1, 2028, 8.3 percent; and
 6. On and after July 1, 2028, 9.3 percent.

§ 58.1-604. (Contingent expiration date) Imposition of use tax.

A. There is hereby levied and imposed, in addition to all other taxes and fees now imposed by law, a tax upon the use or consumption of tangible personal property in this Commonwealth, or the storage of such property outside the Commonwealth for use or consumption in this Commonwealth, in the amount of 4.3 percent amounts described in subsection B:

1. Of the cost price of each item or article of tangible personal property used or consumed in this Commonwealth. Tangible personal property that has been acquired for use outside this Commonwealth and subsequently becomes subject to the tax imposed hereunder shall be taxed on the basis of its cost price if such property is brought within this Commonwealth for use within six months of its acquisition; but if so brought within this Commonwealth six months or more after its acquisition, such property shall be taxed on the basis of the current market value (but not in excess of its cost price) of such property at the time of its first use within this Commonwealth. Such tax shall be based on such proportion of the cost price or current market value as the duration of time of use within this Commonwealth bears to the total useful life of such property (but it shall be presumed in all cases that such property will remain within this Commonwealth for the remainder of its useful life unless convincing evidence is provided to the contrary).

2. Of the cost price of each item or article of tangible personal property stored outside this Commonwealth for use or consumption in this Commonwealth.

3. A transaction taxed under § 58.1-603 shall not also be taxed under this section, nor shall the same transaction be taxed more than once under either section.

4. The use tax shall not apply with respect to the use of any article of tangible personal property brought into this Commonwealth by a nonresident individual, visiting in Virginia, for his personal use, while within this Commonwealth.

B. The rate of tax for the tax imposed by this section shall be:

1. Before July 1, 2024, 4.3 percent;
 2. On and after July 1, 2024, but before July 1, 2025, 5.3 percent;
 3. On and after July 1, 2025, but before July 1, 2026, 6.3 percent;
 4. On and after July 1, 2026, but before July 1, 2027, 7.3 percent;
 5. On and after July 1, 2027, but before July 1, 2028, 8.3 percent; and
 6. On and after July 1, 2028, 9.3 percent.

§ 58.1-604. (Contingent effective date) Imposition of use tax.

A. There is hereby levied and imposed, in addition to all other taxes and fees now imposed by law, a tax upon the use or consumption of tangible personal property in this Commonwealth, or the storage of such property outside the Commonwealth for use or consumption in this Commonwealth, in the amount of three and one-half percent through midnight on July 31, 2004, and; four percent beginning on and after August 1, 2004, but before July 1, 2024; and in the amounts described in subsection B for years thereafter:

1. Of the cost price of each item or article of tangible personal property used or consumed in this Commonwealth. Tangible personal property which has been acquired for use outside this Commonwealth and subsequently becomes subject to the tax imposed hereunder shall be taxed on the basis of its cost price if such property is brought within this Commonwealth for use within six months of its acquisition; but if so brought within this Commonwealth six months or more after its acquisition, such property shall be taxed on the basis of the current market value (but not in excess of its cost price) of such property at the time of its first use within this Commonwealth. Such tax shall be based on such proportion of the cost price or current market value as the duration of time of use within this Commonwealth bears to the total useful life of such property (but it shall be presumed in all cases that such property will remain within this Commonwealth for the remainder of its useful life unless convincing evidence is provided to the contrary).

2. Of the cost price of each item or article of tangible personal property stored outside this Commonwealth for use or consumption in this Commonwealth.

3. A transaction taxed under § 58.1-603 shall not also be taxed under this section, nor shall the same transaction be taxed more than once under either section.

4. The use tax shall not apply with respect to the use of any article of tangible personal property brought into this Commonwealth by a nonresident individual, visiting in Virginia, for his personal use, while within this Commonwealth.

B. The rate of tax for the tax imposed by this section shall be:

1. Before July 1, 2024, 4.3 percent;
 2. On and after July 1, 2024, but before July 1, 2025, 5.3 percent;

3. *On and after July 1, 2025, but before July 1, 2026, 6.3 percent;*
4. *On and after July 1, 2026, but before July 1, 2027, 7.3 percent;*
5. *On and after July 1, 2027, but before July 1, 2028, 8.3 percent; and*
6. *On and after July 1, 2028, 9.3 percent.*

§ 58.1-1001. Tax levied; rate.

A. Except as provided in subsection B, in addition to all other taxes now imposed by law, every person within this Commonwealth who sells, stores or receives cigarettes made of tobacco or any substitute thereof, for the purpose of distribution to any person within this Commonwealth, shall pay to this Commonwealth an excise tax of one and one-quarter mills on each such cigarette sold, stored or received before August 1, 2004; an excise tax of one cent on each such cigarette sold, stored or received on and after August 1, 2004, through midnight on June 30, 2005; and an excise tax of 1.5 cents on each such cigarette sold, stored or received on and after July 1, 2005.

B. In addition to all other taxes now imposed by law, every person within the Commonwealth who sells, stores, or receives roll-your-own tobacco, for the purpose of distribution within the Commonwealth, shall pay to the Commonwealth a cigarette excise tax at the rate of 10% of the manufacturer's sales price of such roll-your-own tobacco.

C. The revenues generated by the taxes imposed under this section on and after August 1, 2004, shall be collected by the Department and deposited into the Virginia Health Care Fund established under § 32.1-366.

D. The provisions of this section shall not apply to members of federal, state, county, city, or town law-enforcement agencies when possession of unstamped cigarettes is necessary in the performance of investigatory duties.

E. Beginning July 1, 2024, in addition to the tax imposed pursuant to subsection A, an excise tax of three cents on each such cigarette sold, stored, or received shall be paid to the Commonwealth by such person who sells, stores, or receives taxable cigarettes. The revenues generated by the tax imposed by this subsection shall be deposited in the general fund.

§ 58.1-1021.02. Tax on tobacco products.

A. In addition to all other taxes now imposed by law, there is hereby imposed a tax upon the privilege of selling or dealing in tobacco products in the Commonwealth by any person engaged in business as a distributor or remote retail seller thereof, at the following rates:

1. Upon each package of moist snuff, at the rate of \$0.18 per ounce with a proportionate tax at the same rate on all fractional parts of an ounce. The tax shall be computed based on the net weight as listed by the manufacturer on the package in accordance with federal law.

2. For purposes of the tax under this article, loose leaf tobacco shall be classified as loose leaf tobacco single-units, loose leaf tobacco half pound-units, and loose leaf tobacco pound-units. Such tax shall be imposed on the distributor for loose leaf tobacco as follows:

a. \$0.21 for each loose leaf tobacco single-unit;

b. \$0.40 for each loose leaf tobacco half pound-unit;

c. \$0.70 for each loose leaf tobacco pound-unit; and

d. For any other unit, pouch, or package of loose leaf tobacco, the tax shall be by net weight and shall be \$0.21 per unit, pouch, or package plus \$0.21 for each increment of 4 ounces or portion thereof that the loose leaf tobacco exceeds 16 ounces.

The tax for each unit, pouch, or package of loose leaf tobacco shall be in accordance with the provisions of subdivisions a. through d. only and regardless of sales price.

3. Upon tobacco products other than moist snuff or loose leaf tobacco, at the rate of 10 percent of the manufacturer's sales price of such tobacco products.

Upon cigars and pipe tobacco products sold by remote retail sellers, the tax rates delineated in this subdivision shall apply to:

(a) The actual cost; or

(b) If the actual cost is not available, the average of the actual cost over the 12 calendar months before January 1 of the year in which the sale occurs.

Such tax shall be imposed at the time the remote retail seller located within or outside the Commonwealth makes a remote retail sale to a consumer within the Commonwealth. It is the intent and purpose of this subdivision that the remote retail seller be liable for the tax. It is further the intent and purpose of this article to impose the tax once, and only once on all tobacco products, including cigars and pipe tobacco sold in the Commonwealth.

Such tax shall be imposed on tobacco products (i) at the time of retail sale by a retail dealer or distributor; (ii) at the time the distributor makes, manufactures, or fabricates tobacco products in the Commonwealth for sale in the Commonwealth; or (iii) at the time the distributor ships or transports tobacco products to retailers in the Commonwealth to be sold by those retailers. It is the intent and purpose of this article that the distributor who first possesses the tobacco product subject to this tax in the Commonwealth shall be the distributor liable for the tax. It is further the intent and purpose of this

article to impose the tax once, and only once on all tobacco products for sale in the Commonwealth.

B. No tax shall be imposed pursuant to this section upon tobacco products not within the taxing power of the Commonwealth under the Commerce Clause of the United States Constitution.

C. A distributor that calculates and pays the tax pursuant to subdivision A 1 or A 2 in good faith reliance on the net weight listed by the manufacturer on the package or on the manufacturer's invoice shall not be liable for additional tax, or for interest or penalties, solely by reason of a subsequent determination that such weight information was incorrect.

D. Beginning July 1, 2024, in addition to the taxes imposed pursuant to subsection A, an additional tax equivalent to the rates imposed by subsection A is hereby imposed on the privilege of selling or dealing in tobacco products. The revenues generated by the tax imposed by this subsection shall be deposited in the general fund.

§ 58.1-2217. Taxes levied; rate.

A. (For contingent expiration date, see Acts 2020, cc. 1230 and 1275) There is hereby levied an excise tax on gasoline and gasohol as follows:

1. On and after July 1, 2020, but before July 1, 2021, the rate shall be 21.2 cents per gallon;

2. On and after July 1, 2021, but before July 1, 2022, the rate shall be 26.2 cents per gallon; and

3. On and after July 1, 2022, the rate shall be adjusted annually based on the greater of (i) the change in the United States Average Consumer Price Index for all items, all urban consumers (CPI-U), as published by the Bureau of Labor Statistics for the U.S. Department of Labor for the previous year or (ii) zero.

A. (For contingent effective date, see Acts 2020, cc. 1230 and 1275) There is hereby levied an excise tax on gasoline and gasohol at a rate of 16.2 cents per gallon.

B. (For contingent expiration date, see Acts 2020, cc. 1230 and 1275) There is hereby levied an excise tax on diesel fuel as follows:

1. On and after July 1, 2020, but before July 1, 2021, the rate shall be 20.2 cents per gallon;

2. On and after July 1, 2021, but before July 1, 2022, the rate shall be 27 cents per gallon; and

3. On and after July 1, 2022, the rate shall be adjusted annually based on the greater of (i) the change in the United States Average Consumer Price Index for all items, all urban consumers (CPI-U), as published by the Bureau of Labor Statistics for the U.S. Department of Labor for the previous year or (ii) zero.

B. (For contingent effective date, see Acts 2020, cc. 1230 and 1275) There is hereby levied an excise tax on diesel fuel at a rate of 20.2 cents per gallon.

C. Blended fuel that contains gasoline shall be taxed at the rate levied on gasoline. Blended fuel that contains diesel fuel shall be taxed at the rate levied on diesel fuel.

D. There is hereby levied a tax at the rate of five cents per gallon on aviation gasoline. Any person, whether or not licensed under this chapter, who uses, acquires for use, sells or delivers for use in highway vehicles any aviation gasoline shall be liable for the tax at the rate levied on gasoline and gasohol, along with any penalties and interest that may accrue.

E. There is hereby levied a tax at the rate of five cents per gallon on aviation jet fuel purchased or acquired for use by a user of aviation fuel other than an aviation consumer. There is hereby levied a tax at the rate of five cents per gallon upon the first 100,000 gallons of aviation jet fuel, excluding bonded aviation jet fuel, purchased or acquired for use by any aviation consumer in any fiscal year. There is hereby levied a tax at the rate of one-half cent per gallon on all aviation jet fuel, excluding bonded aviation jet fuel, purchased or acquired for use by an aviation consumer in excess of 100,000 gallons in any fiscal year. Any person, whether or not licensed under this chapter, who uses, acquires for use, sells or delivers for use in highway vehicles any aviation jet fuel taxable under this chapter shall be liable for the tax imposed at the rate levied on diesel fuel, along with any penalties and interest that may accrue.

F. In accordance with § 62.1-44.34:13, a storage tank fee is imposed on each gallon of gasoline, aviation gasoline, diesel fuel (including dyed diesel fuel), blended fuel, and heating oil sold and delivered or used in the Commonwealth.

G. In addition to the taxes imposed pursuant to subsections A and B, an additional tax on gasoline, gasohol, and diesel fuel is hereby imposed in the following amounts:

1. On and after July 1, 2024, but before July 1, 2025, five cents per gallon;

2. On and after July 1, 2025, but before July 1, 2026, 10 cents per gallon;

3. On and after July 1, 2026, but before July 1, 2027, 15 cents per gallon;

4. On and after July 1, 2027, but before July 1, 2028, 20 cents per gallon; and

5. On and after July 1, 2028, 25 cents per gallon.

The revenues generated by the taxes imposed pursuant to this subsection shall be deposited in the general fund.

§ 58.1-2402. (Contingent expiration date) Levy.

A. (For contingent expiration date, see Acts 2019, c. 52, cl. 2) There is hereby levied, in addition to

all other taxes and fees of every kind now imposed by law, a tax upon the sale or use of motor vehicles in Virginia, other than a sale to or use by a person for rental as an established business or part of an established business or incidental or germane to such business.

The amount of the tax to be collected shall be determined by the Commissioner by the application of the following rates against the gross sales price:

1. Three percent through midnight on June 30, 2013, four percent beginning July 1, 2013, through midnight on June 30, 2014, 4.05 percent beginning July 1, 2014, through midnight on June 30, 2015, 4.1 percent beginning July 1, 2015, through midnight on June 30, 2016, and 4.15 percent beginning on and after July 1, 2016, of the sale price of each motor vehicle sold in Virginia. If such motor vehicle is a manufactured home as defined in § 36-85.3, the tax shall be three percent of the sale price of each such manufactured home sold in the Commonwealth; if such vehicle is a mobile office as defined in § 58.1-2401, the tax shall be two percent of the sale price of each mobile office sold in the Commonwealth; if such vehicle has a gross vehicle weight rating or gross combination weight rating of 26,001 pounds or more and is neither (i) a manufactured home as defined in § 36-85.3, (ii) a mobile office as defined in § 58.1-2401, (iii) a trailer or semitrailer as severally defined in § 46.2-100 that is not designed or used to carry property, nor (iv) a vehicle registered under § 46.2-700, the tax shall be zero percent of the sale price of each such vehicle sold in the Commonwealth; and if such vehicle is an all-terrain vehicle, moped, or off-road motorcycle, as those terms are defined in § 46.2-100, sold by a Virginia dealer, or, if sold by anyone other than a Virginia dealer, used or stored for use (a) in a county or city located in a planning district described in § 58.1-603.1, the tax shall be six percent of the sales price of each such vehicle or (b) in any county or city other than those set forth in clause (a), the tax shall be 5.3 percent of the sales price of each such vehicle. In any city or county located within the Historic Triangle, as defined in § 58.1-603.2, an additional one percent tax shall be imposed in addition to the tax prescribed in clause (a) if such vehicle is an all-terrain vehicle, moped, or off-road motorcycle.

2. Three percent through midnight on June 30, 2013, four percent beginning July 1, 2013, through midnight on June 30, 2014, 4.05 percent beginning July 1, 2014, through midnight on June 30, 2015, 4.1 percent beginning July 1, 2015, through midnight on June 30, 2016, and 4.15 percent beginning on and after July 1, 2016, of the sale price of each motor vehicle, not sold in Virginia but used or stored for use in the Commonwealth; or three percent of the sale price of each manufactured home as defined in § 36-85.3, or two percent of the sale price of each mobile office as defined in § 58.1-2401, not sold in Virginia but used or stored for use in this Commonwealth. If such vehicle has a gross vehicle weight rating or gross combination weight rating of 26,001 pounds or more and is neither (i) a manufactured home as defined in § 36-85.3, (ii) a mobile office as defined in § 58.1-2401, (iii) a trailer or semitrailer as severally defined in § 46.2-100 that is not designed or used to carry property, nor (iv) a vehicle registered under § 46.2-700, the tax shall be zero percent of the sale price of each such vehicle not sold in the Commonwealth but used or stored for use in the Commonwealth. If such vehicle is an all-terrain vehicle, moped, or off-road motorcycle, as those terms are defined in § 46.2-100, not sold in the Commonwealth but used or stored for use in the Commonwealth (a) in a county or city located in a planning district described in § 58.1-603.1, the tax shall be six percent of the sales price of each such vehicle or (b) in any county or city other than those set forth in clause (a), the tax shall be 5.3 percent of the sales price of each such vehicle. In any city or county located within the Historic Triangle, as defined in § 58.1-603.2, an additional one percent tax shall be imposed in addition to the tax prescribed in clause (a) if such vehicle is an all-terrain vehicle, moped, or off-road motorcycle. When any motor vehicle or manufactured home not sold in the Commonwealth is first used or stored for use in Virginia six months or more after its acquisition, the tax shall be based on its current market value.

3. The minimum tax levied on the sale of any motor vehicle in the Commonwealth that is subject to taxation at a rate exceeding zero percent shall be \$75, except as provided by those exemptions defined in § 58.1-2403. This subdivision shall not apply to any all-terrain vehicle, moped, or off-road motorcycle subject to taxation under this chapter.

4. In addition to the tax rates imposed pursuant to subdivisions 1 and 2, there shall be imposed an additional tax on each class of motor vehicles described in such subdivisions in the following amounts:

- a. On and after July 1, 2024, but before July 1, 2025, one percent;
- b. On and after July 1, 2025, but before July 1, 2026, two percent;
- c. On and after July 1, 2026, but before July 1, 2027, three percent;
- d. On and after July 1, 2027, but before July 1, 2028, four percent; and
- e. On and after July 1, 2028, five percent.

Notwithstanding the provisions of § 58.1-2425, the revenues generated by the taxes imposed pursuant to this subdivision 4 shall be deposited in the general fund.

A. (For contingent effective date — see Acts 2019, c. 52, cl. 2) There is hereby levied, in addition to all other taxes and fees of every kind now imposed by law, a tax upon the sale or use of motor vehicles in Virginia, other than a sale to or use by a person for rental as an established business or part of an

established business or incidental or germane to such business.

The amount of the tax to be collected shall be determined by the Commissioner by the application of the following rates against the gross sales price:

1. Three percent through midnight on June 30, 2013, four percent beginning July 1, 2013, through midnight on June 30, 2014, 4.05 percent beginning July 1, 2014, through midnight on June 30, 2015, 4.1 percent beginning July 1, 2015, through midnight on June 30, 2016, and 4.15 percent beginning on and after July 1, 2016, of the sale price of each motor vehicle sold in Virginia. If such motor vehicle is a manufactured home as defined in § 36-85.3, the tax shall be three percent of the sale price of each such manufactured home sold in the Commonwealth; if such vehicle is a mobile office as defined in § 58.1-2401, the tax shall be two percent of the sale price of each mobile office sold in the Commonwealth; if such vehicle has a gross vehicle weight rating or gross combination weight rating of 26,001 pounds or more and is neither (i) a manufactured home as defined in § 36-85.3, (ii) a mobile office as defined in § 58.1-2401, (iii) a trailer or semitrailer as severally defined in § 46.2-100 that is not designed or used to carry property, nor (iv) a vehicle registered under § 46.2-700, the tax shall be zero percent of the sale price of each such vehicle sold in the Commonwealth; and if such vehicle is an all-terrain vehicle, moped, or off-road motorcycle, as those terms are defined in § 46.2-100, sold by a Virginia dealer, or, if sold by anyone other than a Virginia dealer, used or stored for use (a) in a county or city located in a planning district described in § 58.1-603.1, the tax shall be six percent of the sales price of each such vehicle or (b) in any county or city other than those set forth in clause (a), the tax shall be 5.3 percent of the sales price of each such vehicle.

2. Three percent through midnight on June 30, 2013, four percent beginning July 1, 2013, through midnight on June 30, 2014, 4.05 percent beginning July 1, 2014, through midnight on June 30, 2015, 4.1 percent beginning July 1, 2015, through midnight on June 30, 2016, and 4.15 percent beginning on and after July 1, 2016, of the sale price of each motor vehicle, not sold in Virginia but used or stored for use in the Commonwealth; or three percent of the sale price of each manufactured home as defined in § 36-85.3, or two percent of the sale price of each mobile office as defined in § 58.1-2401, not sold in Virginia but used or stored for use in this Commonwealth. If such vehicle has a gross vehicle weight rating or gross combination weight rating of 26,001 pounds or more and is neither (i) a manufactured home as defined in § 36-85.3, (ii) a mobile office as defined in § 58.1-2401, (iii) a trailer or semitrailer as severally defined in § 46.2-100 that is not designed or used to carry property, nor (iv) a vehicle registered under § 46.2-700, the tax shall be zero percent of the sale price of each such vehicle not sold in the Commonwealth but used or stored for use in the Commonwealth. If such vehicle is an all-terrain vehicle, moped, or off-road motorcycle, as those terms are defined in § 46.2-100, not sold in the Commonwealth but used or stored for use in the Commonwealth (a) in a county or city located in a planning district described in § 58.1-603.1, the tax shall be six percent of the sales price of each such vehicle or (b) in any county or city other than those set forth in clause (a), the tax shall be 5.3 percent of the sales price of each such vehicle. When any motor vehicle or manufactured home not sold in the Commonwealth is first used or stored for use in Virginia six months or more after its acquisition, the tax shall be based on its current market value.

3. The minimum tax levied on the sale of any motor vehicle in the Commonwealth that is subject to taxation at a rate exceeding zero percent shall be \$75, except as provided by those exemptions defined in § 58.1-2403. This subdivision shall not apply to any all-terrain vehicle, moped, or off-road motorcycle subject to taxation under this chapter.

4. *In addition to the tax rates imposed pursuant to subdivisions 1 and 2, there shall be imposed an additional tax on each class of motor vehicles described in such subdivisions in the following amounts:*

- a. On and after July 1, 2024, but before July 1, 2025, one percent;*
- b. On and after July 1, 2025, but before July 1, 2026, two percent;*
- c. On and after July 1, 2026, but before July 1, 2027, three percent;*
- d. On and after July 1, 2027, but before July 1, 2028, four percent; and*
- e. On and after July 1, 2028, five percent.*

Notwithstanding the provisions of § 58.1-2425, the revenues generated by the taxes imposed pursuant to this subdivision 4 shall be deposited in the general fund.

B. A transaction taxed under subdivision A 1 shall not also be taxed under subdivision A 2, nor shall the same transaction be taxed more than once under either subdivision.

C. Any motor vehicle, trailer or semitrailer exempt from this tax under subdivision 1 or 2 of § 58.1-2403 shall be subject to the tax, based on the current market value when such vehicle is no longer owned or used by the United States government or any governmental agency, or the Commonwealth of Virginia or any political subdivision thereof, unless such vehicle is then rented, in which case the tax imposed by § 58.1-1736 shall apply, subject to the exemptions provided in § 58.1-1737. Further, any motor vehicle, trailer or semitrailer exempt from the tax imposed by this chapter under subdivision 11 of § 58.1-2403 or §§ 46.2-663 through 46.2-674 shall be subject to the tax,

428 based on the current market value, when such vehicle is subsequently licensed to operate on the
429 highways of the Commonwealth.

430 D. Any person who with intent to evade or to aid another person to evade the tax provided for
431 herein falsely states the selling price of a vehicle on a bill of sale, assignment of title, application for
432 title, or any other document or paper submitted to the Commissioner pursuant to any provisions of this
433 title or Title 46.2 shall be guilty of a Class 3 misdemeanor.

434 E. Effective January 1, 1997, any amount designated as a "processing fee" and any amount charged
435 by a dealer for processing a transaction, which is required to be included on a buyer's order pursuant to
436 subdivision A 10 of § 46.2-1530, shall be subject to the tax.

437 **§ 58.1-2402. (Contingent effective date) Levy.**

438 A. (For contingent expiration date — see Acts 2019, c. 52, cl. 2) There is hereby levied, in addition
439 to all other taxes and fees of every kind now imposed by law, a tax upon the sale or use of motor
440 vehicles in Virginia, other than a sale to or use by a person for rental as an established business or part
441 of an established business or incidental or germane to such business.

442 The amount of the tax to be collected shall be determined by the Commissioner by the application of
443 the following rates against the gross sales price:

444 1. Three percent of the sale price of each motor vehicle sold in Virginia. If such motor vehicle is a
445 manufactured home as defined in § 36-85.3, the tax shall be three percent of the sale price of each such
446 manufactured home sold in the Commonwealth; if such vehicle is a mobile office as defined in
447 § 58.1-2401, the tax shall be two percent of the sale price of each mobile office sold in the
448 Commonwealth; if such vehicle has a gross vehicle weight rating or gross combination weight rating of
449 26,001 pounds or more and is neither (i) a manufactured home as defined in § 36-85.3, (ii) a mobile
450 office as defined in § 58.1-2401, (iii) a trailer or semitrailer as severally defined in § 46.2-100 that is not
451 designed or used to carry property, nor (iv) a vehicle registered under § 46.2-700, the tax shall be zero
452 percent of the sale price of each such vehicle sold in the Commonwealth; and if such vehicle is an
453 all-terrain vehicle, moped, or off-road motorcycle, as those terms are defined in § 46.2-100, the tax shall
454 be five percent of the sales price of each such vehicle; except that in any city or county located within
455 the Historic Triangle, as defined in § 58.1-603.2, the tax shall be six percent of the sales price of each
456 such vehicle.

457 2. Three percent of the sale price of each motor vehicle, or three percent of the sale price of each
458 manufactured home as defined in § 36-85.3, or two percent of the sale price of each mobile office as
459 defined in § 58.1-2401, not sold in Virginia but used or stored for use in the Commonwealth. If such
460 vehicle has a gross vehicle weight rating or gross combination weight rating of 26,001 pounds or more
461 and is neither (i) a manufactured home as defined in § 36-85.3, (ii) a mobile office as defined in
462 § 58.1-2401, (iii) a trailer or semitrailer as severally defined in § 46.2-100 that is not designed or used to
463 carry property, nor (iv) a vehicle registered under § 46.2-700, the tax shall be zero percent of the sale
464 price of each such vehicle not sold in the Commonwealth but used or stored for use in the
465 Commonwealth. If such vehicle is an all-terrain vehicle, moped, or off-road motorcycle, as those terms
466 are defined in § 46.2-100, not sold in the Commonwealth but used or stored for use in the
467 Commonwealth, the tax shall be five percent of the sales price of each such vehicle, except that in any
468 city or county located within the Historic Triangle, as defined in § 58.1-603.2, the tax shall be six
469 percent of the sales price of each such vehicle. When any motor vehicle or manufactured home not sold
470 in the Commonwealth is first used or stored for use in Virginia six months or more after its acquisition,
471 the tax shall be based on its current market value.

472 3. The minimum tax levied on the sale of any motor vehicle in the Commonwealth that is subject to
473 taxation at a rate exceeding zero percent shall be \$35, except as provided by those exemptions defined
474 in § 58.1-2403. This subdivision shall not apply to any all-terrain vehicle, moped, or off-road motorcycle
475 subject to taxation under this chapter.

476 4. *In addition to the tax rates imposed pursuant to subdivisions 1 and 2, there shall be imposed an*
477 *additional tax on each class of motor vehicles described in such subdivisions in the following amounts:*

- 478 a. *On and after July 1, 2024, but before July 1, 2025, one percent;*
479 b. *On and after July 1, 2025, but before July 1, 2026, two percent;*
480 c. *On and after July 1, 2026, but before July 1, 2027, three percent;*
481 d. *On and after July 1, 2027, but before July 1, 2028, four percent; and*
482 e. *On and after July 1, 2028, five percent.*

483 *Notwithstanding the provisions of § 58.1-2425, the revenues generated by the taxes imposed pursuant*
484 *to this subdivision 4 shall be deposited in the general fund.*

485 A. (For contingent effective date — see Acts 2019, c. 52, cl. 2) There is hereby levied, in addition to
486 all other taxes and fees of every kind now imposed by law, a tax upon the sale or use of motor vehicles
487 in Virginia, other than a sale to or use by a person for rental as an established business or part of an
488 established business or incidental or germane to such business.

489 The amount of the tax to be collected shall be determined by the Commissioner by the application of

the following rates against the gross sales price:

1. Three percent of the sale price of each motor vehicle sold in Virginia. If such motor vehicle is a manufactured home as defined in § 36-85.3, the tax shall be three percent of the sale price of each such manufactured home sold in the Commonwealth; if such vehicle is a mobile office as defined in § 58.1-2401, the tax shall be two percent of the sale price of each mobile office sold in the Commonwealth; if such vehicle has a gross vehicle weight rating or gross combination weight rating of 26,001 pounds or more and is neither (i) a manufactured home as defined in § 36-85.3, (ii) a mobile office as defined in § 58.1-2401, (iii) a trailer or semitrailer as severally defined in § 46.2-100 that is not designed or used to carry property, nor (iv) a vehicle registered under § 46.2-700, the tax shall be zero percent of the sale price of each such vehicle sold in the Commonwealth; and if such vehicle is an all-terrain vehicle, moped, or off-road motorcycle, as those terms are defined in § 46.2-100, the tax shall be five percent of the sales price of each such vehicle.

2. Three percent of the sale price of each motor vehicle, or three percent of the sale price of each manufactured home as defined in § 36-85.3, or two percent of the sale price of each mobile office as defined in § 58.1-2401, not sold in Virginia but used or stored for use in the Commonwealth. If such vehicle has a gross vehicle weight rating or gross combination weight rating of 26,001 pounds or more and is neither (i) a manufactured home as defined in § 36-85.3, (ii) a mobile office as defined in § 58.1-2401, (iii) a trailer or semitrailer as severally defined in § 46.2-100 that is not designed or used to carry property, nor (iv) a vehicle registered under § 46.2-700, the tax shall be zero percent of the sale price of each such vehicle not sold in the Commonwealth but used or stored for use in the Commonwealth. If such vehicle is an all-terrain vehicle, moped, or off-road motorcycle, as those terms are defined in § 46.2-100, not sold in the Commonwealth but used or stored for use in the Commonwealth, the tax shall be five percent of the sales price of each such vehicle. When any motor vehicle or manufactured home not sold in the Commonwealth is first used or stored for use in Virginia six months or more after its acquisition, the tax shall be based on its current market value.

3. The minimum tax levied on the sale of any motor vehicle in the Commonwealth that is subject to taxation at a rate exceeding zero percent shall be \$35, except as provided by those exemptions defined in § 58.1-2403. This subdivision shall not apply to any all-terrain vehicle, moped, or off-road motorcycle subject to taxation under this chapter.

4. *In addition to the tax rates imposed pursuant to subdivisions 1 and 2, there shall be imposed an additional tax on each class of motor vehicles described in such subdivisions in the following amounts:*

- a. *On and after July 1, 2024, but before July 1, 2025, one percent;*
- b. *On and after July 1, 2025, but before July 1, 2026, two percent;*
- c. *On and after July 1, 2026, but before July 1, 2027, three percent;*
- d. *On and after July 1, 2027, but before July 1, 2028, four percent; and*
- e. *On and after July 1, 2028, five percent.*

Notwithstanding the provisions of § 58.1-2425, the revenues generated by the taxes imposed pursuant to this subdivision 4 shall be deposited in the general fund.

B. A transaction taxed under subdivision A 1 shall not also be taxed under subdivision A 2, nor shall the same transaction be taxed more than once under either subdivision.

C. Any motor vehicle, trailer or semitrailer exempt from this tax under subdivision 1 or 2 of § 58.1-2403 shall be subject to the tax, based on the current market value when such vehicle is no longer owned or used by the United States government or any governmental agency, or the Commonwealth of Virginia or any political subdivision thereof, unless such vehicle is then rented, in which case the tax imposed by § 58.1-1736 shall apply, subject to the exemptions provided in § 58.1-1737. Further, any motor vehicle, trailer or semitrailer exempt from the tax imposed by this chapter under subdivision 11 of § 58.1-2403 or §§ 46.2-663 through 46.2-674 shall be subject to the tax, based on the current market value, when such vehicle is subsequently licensed to operate on the highways of the Commonwealth.

D. Any person who with intent to evade or to aid another person to evade the tax provided for herein falsely states the selling price of a vehicle on a bill of sale, assignment of title, application for title, or any other document or paper submitted to the Commissioner pursuant to any provisions of this title or Title 46.2 shall be guilty of a Class 3 misdemeanor.

E. Effective January 1, 1997, any amount designated as a "processing fee" and any amount charged by a dealer for processing a transaction, which is required to be included on a buyer's order pursuant to subdivision A 10 of § 46.2-1530, shall be subject to the tax.

2. That the Secretary of Finance shall convene a workgroup to examine reforms to the Commonwealth's tax structure that would be needed to eliminate personal income tax liability in a manner consistent with the provisions of this act. The workgroup shall develop recommendations for adjusting tax rates, changing the tax base for sales and use taxes, shifting the Commonwealth's tax structure to place a greater emphasis on excise taxes, finding opportunities to expand

551 nongeneral fund revenue sources in a manner that would generate additional general fund
552 revenues, or developing other sources of revenues in order to replace the revenues lost by
553 eliminating the personal income tax. The workgroup shall include the Secretary of Finance, the
554 Secretary of Commerce and Trade, and the State Tax Commissioner, or their designees; three
555 members of the House Committee on Finance, to be appointed by the Chair of the House
556 Committee on Finance; three members of the Senate Committee on Finance and Appropriations,
557 to be appointed by the Chair of the Senate Committee on Finance and Appropriations;
558 independent tax policy experts; representatives of the private sector; and other individuals in the
559 discretion of the Secretary of Finance. The staffs of the House Committee on Appropriations and
560 the Senate Committee on Finance and Appropriations, the Division of Legislative Services, and the
561 Department of Taxation shall provide staffing for the workgroup as needed. The workgroup shall
562 complete its work and present a report of its findings to the Governor and the Chairmen of the
563 House Committees on Appropriations and Finance and the Senate Committee on Finance and
564 Appropriations no later than December 1, 2023.