

Department of Planning and Budget

2024 Fiscal Impact Statement

1. Bill Number: HB 339

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Thomas

3. Committee: Finance

4. Title: Exemptions for vehicle transfers, limited liability companies.

5. Summary: Provides that no motor vehicle sales and use tax shall be imposed on vehicle transfers from (i) an individual, partnership, or limited liability company to a corporation or limited liability company or (ii) from a corporation or limited liability company to an individual, partnership, or limited liability company if (a) the transfer is incidental to the formation, organization, or dissolution of a corporation or limited liability company in which the individual, partnership, or limited liability company holds the majority interest in both entities and (b) the transfer to a limited liability company is not a precursor to a transfer of control of the assets of the company to avoid motor vehicle sales and use taxes.

Under current law, transfers from (1) an individual or partnership to a corporation or limited liability company or (2) from a corporation or limited liability company to an individual or partnership are exempt from the motor vehicle sales and use tax if the transfer is incidental to the formation, organization, or dissolution of a corporation or limited liability company in which the individual or partnership holds the majority interest.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Preliminary. See Item 8.

8. Fiscal Implications: The bill has no direct fiscal impact to the Department of Motor Vehicles (DMV). Any reduction in revenues from the provisions of the bill will impact the Commonwealth Transportation Fund (CTF). Revenues deposited to the CTF are distributed to the Highway Maintenance Operating Fund (HMOF) and the Transportation Trust Fund (TTF). The TTF is then further distributed to subfunds and programs across transportation entities in the Commonwealth, including the Virginia Department of Transportation, Department of Rail and Public Transportation, Virginia Port Authority, Virginia Department of Aviation, Virginia Passenger Rail Authority, Virginia Commercial Space Flight Authority, and DMV, based on distribution formulas set out in the Code of Virginia. As DMV does not have data on the number of times each year the scenarios described in the bill occur, any impact to the CTF is indeterminate. Any loss of revenue to transportation funding may

impact previously planned and programmed transportation projects and may impact funds used to support debt service on bonds previously issued.

9. Specific Agency or Political Subdivisions Affected: Department of Motor Vehicles, Department of Transportation, Department of Rail and Public Transportation, Virginia Port Authority, Virginia Department of Aviation, Virginia Passenger Rail Authority, Virginia Commercial Space Flight Authority

10. Technical Amendment Necessary: No.

11. Other Comments: None.