

Department of Planning and Budget 2022 Fiscal Impact Statement

1. Bill Number: HB1190

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

2. Patron: Marshall

3. Committee: Finance

4. Title: Motor vehicle sales and use tax; definition of sale price.

5. Summary: Excludes from the sale price for determining motor vehicle sales and use tax the amount of any credit given by the seller for any motor vehicle taken as a trade-in.

6. Budget Amendment Necessary: No. New revenue estimates for the Commonwealth Transportation Fund are made each year, allowing for the Fund's appropriation to be updated as needed in future budgets.

7. Fiscal Impact Estimates: Preliminary. See item 8 below.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2023	(\$169,490,164)	Commonwealth Transportation Fund
2024	(\$177,043,771)	Commonwealth Transportation Fund
2025	(\$178,710,198)	Commonwealth Transportation Fund
2026	(\$178,017,175)	Commonwealth Transportation Fund
2027	(\$177,626,487)	Commonwealth Transportation Fund
2028	(\$177,426,457)	Commonwealth Transportation Fund

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2023	(\$169,490,164)	Commonwealth Transportation Fund
2024	(\$177,043,771)	Commonwealth Transportation Fund
2025	(\$178,710,198)	Commonwealth Transportation Fund
2026	(\$178,017,175)	Commonwealth Transportation Fund
2027	(\$177,626,487)	Commonwealth Transportation Fund
2028	(\$177,426,457)	Commonwealth Transportation Fund

8. Fiscal Implications: This bill would result in a loss of transportation revenue by reducing the vehicle sale price used to calculate the amount of motor vehicle sales and use tax owed on the sale of new and used vehicles where a vehicle is traded-in to the dealer.

The Department of Taxation estimates, based on information on new and used car sales in the Commonwealth and accounting for expected future demand for the purchase of vehicles, this bill would decrease revenue collected from the motor vehicle sales and use tax by \$169.5

million in FY2023 and \$177.0 million in FY2024. This would result in a corresponding decrease in expenditures. Revenue from the motor vehicle sales and use tax is deposited to the Commonwealth Transportation Fund which is further distributed to specific programs and subfunds across all transportation agencies in the Commonwealth. 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.

While excluding the value of a trade-in vehicle in the assessment of a motor vehicle's value for the motor vehicle sales and use tax, the bill allows localities to consider the value of the trade-in when assessing the original cost of a motor vehicle as tangible personal property.

In order to implement the bill, the Department of Motor Vehicles (DMV) will incur programming costs estimated at \$43,895. The 596 staff hours required can be accomplished during the normal work schedules for employees of the DMV, given current workloads. The bill would not otherwise impact day to day DMV operations.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Motor Vehicles, Virginia Department of Transportation, Department of Rail and Public Transportation, Virginia Port Authority, Virginia Department of Aviation., Virginia Passenger Rail Authority, local governments.

10. Technical Amendment Necessary: No.

11. Other Comments: None.