

**DEPARTMENT OF TAXATION
2024 Fiscal Impact Statement**

1. **Patron** Christie New Craig
3. **Committee** Senate Finance and Appropriations
4. **Title** Personal property tax relief; qualifying vehicles; reimbursement and appropriation

2. **Bill Number** SB 126
House of Origin:
 X **Introduced**
 Substitute
 Engrossed
- Second House:**
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would provide for a portion of the general fund surplus at the close of the immediately preceding fiscal year to be appropriated for increased car tax relief. The bill would require that if more than \$250 million in general fund surplus remains after Fiscal Year 2024 after all mandatory assignments under current law, then the total amount the Commonwealth would pay in reimbursements to localities for providing required tangible personal property tax relief on qualifying vehicles for the immediately following tax year, beginning in tax year 2025, would be \$950 million plus up to 25 percent of the remaining surplus. If less than \$250 million in general fund surplus remains after such mandatory assignments, the total amount of reimbursements from the Commonwealth to localities would remain at \$950 million.

Also beginning in tax year 2025, the bill would increase from \$20,000 to \$30,000 the base vehicle value for which a locality shall establish its tangible personal property tax rate for each qualifying vehicle and reimbursements from the Commonwealth.

Under current law, localities are reimbursed a fixed \$950 million from the general fund annually for car tax relief. The current base vehicle value for which localities may establish their tangible personal property tax rate for qualifying vehicles and reimbursements is \$20,000.

If enacted during the regular session of the 2024 General Assembly this bill would become effective July 1, 2024.

6. **Budget amendment necessary:** Yes.
Item 255, Department of Accounts
7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)
8. **Fiscal implications:**

Administrative Costs

This bill would have an unknown impact on state and local administrative costs.

Revenue Impact

This bill would have an unknown impact on state and local revenues. While localities that enact tangible personal property relief on qualifying vehicles with the higher \$30,000 threshold proposed by this bill would experience a decrease in property tax collections as a result, some or all of that decrease may be offset by the increase in state funded car tax relief disbursement. Whether and the extent to which the state car tax relief disbursement would exceed the current \$950 million level is unknown at this time and such reimbursement may not exceed \$950 million consistently year to year.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No.

11. Other comments:

Car Tax Relief

All cities and counties, and certain towns, levy tangible personal property tax on motor vehicles. Under the Personal Property Tax Relief Act (the "PPTRA"), localities are eligible to receive reimbursement from the state for providing tangible personal property tax relief on qualifying vehicles. The PPTRA was enacted in 1998. Legislation enacted in 2004 capped the amount of reimbursement from the state at \$950 million annually beginning in 2006. Under current law, each locality's share of the \$950 million for each tax year is determined pro rata based upon the actual car tax payments to such locality for tax year 2005 as compared to the actual car tax payments to all localities for tax year 2005. The annual amount reimbursed to each locality has remained the same since 2006.

A locality will be eligible for reimbursement if it sets a rate of tax to be applied to its general class of tangible personal property which would also apply to the portion of a vehicle's value in excess of \$20,000. After fixing or establishing its tangible personal property tax rate for its general class of tangible personal property, the local governing body of the locality shall fix or establish one or more reduced tax rates (lower than the rate applied to the general class of tangible personal property) that shall be applied solely to that portion of the value of each qualifying vehicle that is not in excess of \$20,000. No other tangible personal property tax rate shall be applied to that portion of the value of each qualifying vehicle that is not in excess of \$20,000.

The reduced tax rate or rates must be set at an effective tax rate or rates such that (i) the revenue to be received from such reduced tax rate or rates on that portion of the value of qualifying vehicles not in excess of \$20,000 plus (ii) the revenue to be received on that portion of the value of qualifying vehicles in excess of \$20,000 plus (iii) the Commonwealth's reimbursement is approximately equal to the total revenue that would have been received

by the locality from its tangible personal property tax had the tax rate for its general class of tangible personal property been applied to 100 percent of the value of all qualifying vehicles.

Proposal

This bill would provide for a portion of the general fund surplus at the close of the immediately preceding fiscal year to be appropriated for increased car tax relief.

The bill would require that if more than \$250 million in general fund surplus remains after Fiscal Year 2024 after all mandatory assignments under current law, then the total amount the Commonwealth would pay in reimbursements to localities for providing required tangible personal property tax relief on qualifying vehicles for the immediately following tax year, beginning in tax year 2025, would be \$950 million plus up to 25 percent of the remaining surplus. If less than \$250 million in general fund surplus remains after such mandatory assignments, the total amount of reimbursements from the Commonwealth to localities would remain at \$950 million.

Also beginning in tax year 2025, the bill would increase from \$20,000 to \$30,000 the base vehicle value for which a locality shall establish its tangible personal property tax rate for each qualifying vehicle and reimbursements from the Commonwealth.

The bill would also require the Tax Commissioner to provide a written certification to the General Assembly reporting the amount to be held in reserve for appropriation that is necessary to increase car tax relief.

If enacted during the regular session of the 2024 General Assembly this bill would become effective July 1, 2024.

Similar Legislation

House Bill 422 would remove the sunset date from the provision of law that authorizes localities to classify most motor vehicles as a class of property subject to a different rate of tax or rate of assessment from the rate applicable to the general class of tangible personal property.

House Bill 724 would restrict differences in the rates of taxation of personal property for taxpayers whose income and financial worth exceed certain thresholds.

Senate Bill 194 would remove the sunset on authorization for localities to assign a rate of tax or assessment different from the general tangible personal property rate on certain automobiles, trucks, motor vehicles for use by the handicapped, motorcycles, mopeds, all-terrain vehicles, off-road motorcycles, campers, and other recreational vehicles.

cc : Secretary of Finance

Date: 1/14/2024 VB
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