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HOUSE BILL NO. 2410

Offered January 13, 2025

Prefiled January 8, 2025

A BILL to amend and reenact §§ 29.1-710, 29.1-733.3, and 58.1-3506 of the Code of Virginia, relating to tangible personal property tax; classification for rate purposes; boats and watercraft powered by green technology; registration and titling.

 Patrons—Griffin and Green

 Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 29.1-710, 29.1-733.3, and 58.1-3506 of the Code of Virginia are amended and reenacted as follows:

§ 29.1-710. Exemption from numbering requirements.

A motorboat shall not be required to be numbered under this chapter if it is:

1. A motorboat which has been awarded a number pursuant to federal law or a federally approved numbering system of another state if the boat has been within the Commonwealth for less than ninety consecutive days.

2. A motorboat from a country other than the United States temporarily using the waters of the Commonwealth.

3. A motorboat which is used in a governmental function by the United States, a state or a subdivision of the state.

4. A ship's lifeboat.

5. A vessel which has a valid marine document issued by the Bureau of Customs of the United States government or any federal agency successor thereto.

6. A racing boat used during an authorized race and during a twenty-four-hour period before and after the race.

7. A motorboat belonging to a class of vessels which has been exempted from numbering by a regulation adopted by the Board after the Board has found that applicable federal law or federal regulation has exempted, or permitted the exemption of, such class of vessels.

8. A motorboat for which (i) a valid temporary registration certificate has been issued by the Department or an authorized agent of the Department, and (ii) an application has been made for a permanent registration and title (if applicable).

9. A boat or watercraft described in subdivision A 1 c of § 58.1-3506.

§ 29.1-733.3. Applicability.

Subject to § 29.1-733.29 and except in the case of a boat or watercraft described in subdivision A 1 c of § 58.1-3506, this article applies to any transaction, certificate of title, or record relating to a watercraft, even if the transaction, certificate of title, or record was entered into or created before July 1, 2014.

§ 58.1-3506. Other classifications of tangible personal property for taxation.

A. The items of property set forth below are each declared to be a separate class of property and shall constitute a classification for local taxation separate from other classifications of tangible personal property provided in this chapter:

1. a. Boats or watercraft weighing five tons or more, not used solely for business purposes;

b. Boats or watercraft weighing less than five tons, not used solely for business purposes;

c. Boats or watercraft weighing less than five tons and any accompanying trailers for such boats or watercraft, not used solely for business purposes and powered exclusively by green technology. For purposes of this subdivision, "green technology" means the form by which power is generated to operate a boat or watercraft that is clean, sustainable, renewable, and causes minimal environmental damage, including power generated by means of a paddle or oar, pedal drive, wind, solar energy, hydroelectricity, electric battery, or electric motor.

2. Aircraft having a maximum passenger seating capacity of no more than 50 that are owned and operated by scheduled air carriers operating under certificates of public convenience and necessity issued by the State Corporation Commission or the Civil Aeronautics Board;

3. Aircraft having a registered empty gross weight equal to or greater than 20,000 pounds that are not owned or operated by scheduled air carriers recognized under federal law, but not including any aircraft described in subdivision 4;

4. Aircraft that are (i) considered Warbirds, manufactured and intended for military use, excluding those manufactured after 1954, and (ii) used only for (a) exhibit or display to the general public and otherwise used

for educational purposes (including such flights as are necessary for testing, maintaining, or preparing such aircraft for safe operation), or (b) airshow and flight demonstrations (including such flights necessary for testing, maintaining, or preparing such aircraft for safe operation), shall constitute a new class of property. Such class of property shall not include any aircraft used for commercial purposes, including transportation and other services for a fee;

5. All other aircraft not included in subdivision 2, 3, or 4 and flight simulators;

6. Antique motor vehicles as defined in § 46.2-100 which may be used for general transportation purposes as provided in subsection D of § 46.2-730;

7. Tangible personal property used in a research and development business;

8. Heavy construction machinery not used for business purposes, including land movers, bulldozers, front-end loaders, graders, packers, power shovels, cranes, pile drivers, forest harvesting and silvicultural activity equipment except as exempted under § 58.1-3505, and ditch and other types of diggers;

9. Generating equipment purchased after December 31, 1974, for the purpose of changing the energy source of a manufacturing plant from oil or natural gas to coal, wood, wood bark, wood residue, or any other alternative energy source for use in manufacturing and any cogeneration equipment purchased to achieve more efficient use of any energy source. Such generating equipment and cogeneration equipment shall include, without limitation, such equipment purchased by firms engaged in the business of generating electricity or steam, or both;

10. Vehicles without motive power, used or designed to be used as manufactured homes as defined in § 36-85.3;

11. Computer hardware used by businesses primarily engaged in providing data processing services to other nonrelated or nonaffiliated businesses;

12. Privately owned pleasure boats and watercraft, 18 feet and over, used for recreational purposes only;

13. Privately owned vans with a seating capacity of not less than seven nor more than 15 persons, including the driver, used exclusively pursuant to a ridesharing arrangement as defined in § 46.2-1400;

14. Motor vehicles specially equipped to provide transportation for individuals with physical disabilities;

15. Motor vehicles (i) owned by members of a volunteer emergency medical services agency or a member of a volunteer fire department or (ii) leased by volunteer emergency medical services personnel or a member of a volunteer fire department if the volunteer is obligated by the terms of the lease to pay tangible personal property tax on the motor vehicle. One motor vehicle that is owned by each volunteer member who meets the definition of "emergency medical services personnel" in § 32.1-111.1 or volunteer fire department member, or leased by each volunteer member who meets the definition of "emergency medical services personnel" in § 32.1-111.1 or volunteer fire department member if the volunteer is obligated by the terms of the lease to pay tangible personal property tax on the motor vehicle, may be specially classified under this section, provided the volunteer regularly responds to emergency calls. The volunteer shall furnish the commissioner of revenue, or other assessing officer, with a certification by the chief of the volunteer emergency medical services agency or volunteer fire department, that the volunteer is an individual who meets the definition of "emergency medical services personnel" in § 32.1-111.1 or a member of the volunteer fire department who regularly responds to calls or regularly performs other duties for the emergency medical services agency or fire department, and the motor vehicle owned or leased by the volunteer is identified. The certification shall be submitted by January 31 of each year to the commissioner of revenue or other assessing officer; however, the commissioner of revenue or other assessing officer shall be authorized, in his discretion, and for good cause shown and without fault on the part of the volunteer, to accept a certification after the January 31 deadline. In any county that prorates the assessment of tangible personal property pursuant to § 58.1-3516, a replacement vehicle may be certified and classified pursuant to this subsection when the vehicle certified as of the immediately prior January date is transferred during the tax year;

16. Motor vehicles (i) owned by auxiliary members of a volunteer emergency medical services agency or volunteer fire department or (ii) leased by auxiliary members of a volunteer emergency medical services agency or volunteer fire department if the auxiliary member is obligated by the terms of the lease to pay tangible personal property tax on the motor vehicle. One motor vehicle that is regularly used by each auxiliary volunteer fire department or emergency medical services agency member may be specially classified under this section. The auxiliary member shall furnish the commissioner of revenue, or other assessing officer, with a certification by the chief of the volunteer emergency medical services agency or volunteer fire department, that the volunteer is an auxiliary member of the volunteer emergency medical services agency or fire department who regularly performs duties for the emergency medical services agency or fire department, and the motor vehicle is identified as regularly used for such purpose; however, if a volunteer meets the definition of "emergency medical services personnel" in § 32.1-111.1 or volunteer fire department member and an auxiliary member are members of the same household, that household shall be allowed no more than two special classifications under this subdivision or subdivision 15. The certification shall be submitted by January 31 of each year to the commissioner of revenue or other assessing officer; however, the commissioner of revenue or other assessing officer shall be authorized, in his discretion, and for

good cause shown and without fault on the part of the auxiliary member, to accept a certification after the January 31 deadline;

17. Motor vehicles owned by a nonprofit organization and used to deliver meals to homebound persons or provide transportation to senior citizens or individuals with disabilities in the community to carry out the purposes of the nonprofit organization;

18. Privately owned camping trailers as defined in § 46.2-100, and privately owned travel trailers as defined in § 46.2-1500, which are used for recreational purposes only, and privately owned trailers as defined in § 46.2-100, which are designed and used for the transportation of horses except those trailers described in subdivision A 11 of § 58.1-3505;

19. One motor vehicle owned and regularly used by a veteran who has either lost, or lost the use of, one or both legs, or an arm or a hand, or who is blind or who is permanently and totally disabled as certified by the Department of Veterans Services. In order to qualify, the veteran shall provide a written statement to the commissioner of revenue or other assessing officer from the Department of Veterans Services that the veteran has been so designated or classified by the Department of Veterans Services as to meet the requirements of this section, and that his disability is service-connected. For purposes of this section, a person is blind if he meets the provisions of § 46.2-100;

20. Motor vehicles (i) owned by persons who have been appointed to serve as auxiliary police officers pursuant to Article 3 (§ 15.2-1731 et seq.) of Chapter 17 of Title 15.2 or (ii) leased by persons who have been so appointed to serve as auxiliary police officers if the person is obligated by the terms of the lease to pay tangible personal property tax on the motor vehicle. One motor vehicle that is regularly used by each auxiliary police officer to respond to auxiliary police duties may be specially classified under this section. In order to qualify for such classification, any auxiliary police officer who applies for such classification shall identify the vehicle for which this classification is sought, and shall furnish the commissioner of revenue or other assessing officer with a certification from the governing body that has appointed such auxiliary police officer or from the official who has appointed such auxiliary officers. That certification shall state that the applicant is an auxiliary police officer who regularly uses a motor vehicle to respond to auxiliary police duties, and it shall state that the vehicle for which the classification is sought is the vehicle that is regularly used for that purpose. The certification shall be submitted by January 31 of each year to the commissioner of revenue or other assessing officer; however, the commissioner of revenue or other assessing officer shall be authorized, in his discretion, and for good cause shown and without fault on the part of the member, to accept a certification after the January 31 deadline;

21. Until the first to occur of June 30, 2029, or the date that a special improvements tax is no longer levied under § 15.2-4607 on property within a Multicounty Transportation Improvement District created pursuant to Chapter 46 (§ 15.2-4600 et seq.) of Title 15.2, tangible personal property that is used in manufacturing, testing, or operating satellites within a Multicounty Transportation Improvement District, provided that such business personal property is put into service within the District on or after July 1, 1999;

22. Motor vehicles which use clean special fuels as defined in § 46.2-749.3, which shall not include any vehicle described in subdivision 38 or 40;

23. Wild or exotic animals kept for public exhibition in an indoor or outdoor facility that is properly licensed by the federal government, the Commonwealth, or both, and that is properly zoned for such use. "Wild animals" means any animals that are found in the wild, or in a wild state, within the boundaries of the United States, its territories or possessions. "Exotic animals" means any animals that are found in the wild, or in a wild state, and are native to a foreign country;

24. Furniture, office, and maintenance equipment, exclusive of motor vehicles, that are owned and used by an organization whose real property is assessed in accordance with § 58.1-3284.1 and that is used by that organization for the purpose of maintaining or using the open or common space within a residential development;

25. Motor vehicles, trailers, and semitrailers with a gross vehicle weight of 10,000 pounds or more used to transport property or passengers for hire by a motor carrier engaged in interstate commerce;

26. All tangible personal property employed in a trade or business other than that described in subdivisions A 1 through A 20, except for subdivision A 18, of § 58.1-3503;

27. Programmable computer equipment and peripherals employed in a trade or business;

28. Privately owned pleasure boats and watercraft, motorized and under 18 feet, used for recreational purposes only;

29. Privately owned pleasure boats and watercraft, nonmotorized and under 18 feet, used for recreational purposes only;

30. Privately owned motor homes as defined in § 46.2-100 that are used for recreational purposes only;

31. Tangible personal property used in the provision of Internet services. For purposes of this subdivision, "Internet service" means a service, including an Internet Web-hosting service, that enables users to access content, information, electronic mail, and the Internet as part of a package of services sold to customers;

32. Motor vehicles (i) owned by persons who serve as auxiliary, reserve, volunteer, or special deputy

181 sheriffs or (ii) leased by persons who serve as auxiliary, reserve, volunteer, or special deputy sheriffs if the
182 person is obligated by the terms of the lease to pay tangible personal property tax on the motor vehicle. For
183 purposes of this subdivision, the term "auxiliary deputy sheriff" means auxiliary, reserve, volunteer, or
184 special deputy sheriff. One motor vehicle that is regularly used by each auxiliary deputy sheriff to respond to
185 auxiliary deputy sheriff duties may be specially classified under this section. In order to qualify for such
186 classification, any auxiliary deputy sheriff who applies for such classification shall identify the vehicle for
187 which this classification is sought, and shall furnish the commissioner of revenue or other assessing officer
188 with a certification from the governing body that has appointed such auxiliary deputy sheriff or from the
189 official who has appointed such auxiliary deputy sheriff. That certification shall state that the applicant is an
190 auxiliary deputy sheriff who regularly uses a motor vehicle to respond to such auxiliary duties, and it shall
191 state that the vehicle for which the classification is sought is the vehicle that is regularly used for that
192 purpose. The certification shall be submitted by January 31 of each year to the commissioner of revenue or
193 other assessing officer; however, the commissioner of revenue or other assessing officer shall be authorized,
194 in his discretion, and for good cause shown and without fault on the part of the member, to accept a
195 certification after the January 31 deadline;

196 33. Forest harvesting and silvicultural activity equipment, except as exempted under § 58.1-3505;

197 34. Equipment used primarily for research, development, production, or provision of biotechnology for
198 the purpose of developing or providing products or processes for specific commercial or public purposes,
199 including medical, pharmaceutical, nutritional, and other health-related purposes; agricultural purposes; or
200 environmental purposes but not for human cloning purposes as defined in § 32.1-162.21 or for products or
201 purposes related to human embryo stem cells. For purposes of this section, biotechnology equipment means
202 equipment directly used in activities associated with the science of living things;

203 35. Boats or watercraft weighing less than five tons, used for business purposes only;

204 36. Boats or watercraft weighing five tons or more, used for business purposes only;

205 37. Tangible personal property which is owned and operated by a service provider who is not a CMRS
206 provider and is not licensed by the FCC used to provide, for a fee, wireless broadband Internet service. For
207 purposes of this subdivision, "wireless broadband Internet service" means a service that enables customers to
208 access, through a wireless connection at an upload or download bit rate of more than one megabyte per
209 second, Internet service, as defined in § 58.1-602, as part of a package of services sold to customers;

210 38. Low-speed vehicles as defined in § 46.2-100;

211 39. Motor vehicles with a seating capacity of not less than 30 persons, including the driver;

212 40. Motor vehicles powered solely by electricity;

213 41. Tangible personal property designed and used primarily for the purpose of manufacturing a product
214 from renewable energy as defined in § 56-576;

215 42. Motor vehicles leased by a county, city, town, or constitutional officer if the locality or constitutional
216 officer is obligated by the terms of the lease to pay tangible personal property tax on the motor vehicle;

217 43. Computer equipment and peripherals used in a data center. For purposes of this subdivision, "data
218 center" means a facility whose primary services are the storage, management, and processing of digital data
219 and is used to house (i) computer and network systems, including associated components such as servers,
220 network equipment and appliances, telecommunications, and data storage systems; (ii) systems for
221 monitoring and managing infrastructure performance; (iii) equipment used for the transformation,
222 transmission, distribution, or management of at least one megawatt of capacity of electrical power and
223 cooling, including substations, uninterruptible power supply systems, all electrical plant equipment, and
224 associated air handlers; (iv) Internet-related equipment and services; (v) data communications connections;
225 (vi) environmental controls; (vii) fire protection systems; and (viii) security systems and services;

226 44. Motor vehicles (i) owned by persons who serve as uniformed members of the Virginia Defense Force
227 pursuant to Article 4.2 (§ 44-54.4 et seq.) of Chapter 1 of Title 44 or (ii) leased by persons who serve as
228 uniformed members of the Virginia Defense Force pursuant to Article 4.2 (§ 44-54.4 et seq.) of Chapter 1 of
229 Title 44 if the person is obligated by the terms of the lease to pay tangible personal property tax on the motor
230 vehicle. One motor vehicle that is regularly used by a uniformed member of the Virginia Defense Force to
231 respond to his official duties may be specially classified under this section. In order to qualify for such
232 classification, any person who applies for such classification shall identify the vehicle for which the
233 classification is sought and shall furnish to the commissioner of the revenue or other assessing officer a
234 certification from the Adjutant General of the Department of Military Affairs under § 44-11. That
235 certification shall state that (a) the applicant is a uniformed member of the Virginia Defense Force who
236 regularly uses a motor vehicle to respond to his official duties, and (b) the vehicle for which the classification
237 is sought is the vehicle that is regularly used for that purpose. The certification shall be submitted by January
238 31 of each year to the commissioner of the revenue or other assessing officer; however, the commissioner of
239 revenue or other assessing officer shall be authorized, in his discretion, and for good cause shown and
240 without fault on the part of the member, to accept a certification after the January 31 deadline;

241 45. If a locality has adopted an ordinance pursuant to subsection D of § 58.1-3703, tangible personal

property of a business that qualifies under such ordinance for the first two tax years in which the business is subject to tax upon its personal property pursuant to this chapter. If a locality has not adopted such ordinance, this classification shall apply to the tangible personal property for such first two tax years of a business that otherwise meets the requirements of subsection D of § 58.1-3703;

46. Miscellaneous and incidental tangible personal property employed in a trade or business that is not classified as machinery and tools pursuant to Article 2 (§ 58.1-3507 et seq.), merchants' capital pursuant to Article 3 (§ 58.1-3509 et seq.), or short-term rental property pursuant to Article 3.1 (§ 58.1-3510.4 et seq.), and has an original cost of less than \$500. A county, city, or town shall allow a taxpayer to provide an aggregate estimate of the total cost of all such property owned by the taxpayer that qualifies under this subdivision, in lieu of a specific, itemized list;

47. Commercial fishing vessels and property permanently attached to such vessels; and

48. The following classifications of vehicles:

- a. Automobiles as described in subdivision A 3 of § 58.1-3503;
- b. Trucks of less than two tons as described in subdivision A 4 of § 58.1-3503;
- c. Trucks and other vehicles as described in subdivision A 5 of § 58.1-3503;
- d. Motor vehicles with specially designed equipment for use by individuals with disabilities as described in subdivision A 9 of § 58.1-3503; and
- e. Motorcycles, mopeds, all-terrain vehicles, off-road motorcycles, campers, and other recreational vehicles as described in subdivision A 10 of § 58.1-3503.

B. The governing body of any county, city, or town may levy a tax on the property enumerated in subsection A at different rates from the tax levied on other tangible personal property. The rates of tax and the rates of assessment shall (i) for purposes of subdivisions A 1, 2, 3, 4, 5, 6, 8, 11 through 20, 22 through 24, and 26 through 47, not exceed that applicable to the general class of tangible personal property, (ii) for purposes of subdivisions A 7, 9, 21, and 25, not exceed that applicable to machinery and tools, and (iii) for purposes of subdivision A 10, equal that applicable to real property. If an item of personal property is included in multiple classifications under subsection A, then the rate of tax shall be the lowest rate assigned to such classifications.

C. Notwithstanding any other provision of this section, for any qualifying vehicle, as such term is defined in § 58.1-3523, (i) included in any separate class of property in subsection A and (ii) assessed for tangible personal property taxes by a county, city, or town receiving a payment from the Commonwealth under Chapter 35.1 (§ 58.1-3523 et seq.) for providing tangible personal property tax relief, the county, city, or town may levy the tangible personal property tax on such qualifying vehicle at a rate not to exceed the rates of tax and rates of assessment required under such chapter.